



Meeting: **Leicester, Leicestershire and Rutland Police and Crime Panel.**

Date/Time: **Thursday, 1 February 2024 at 2.00 pm**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Euan Walters (Tel: 0116 305 6016)**

Email: **Euan.Walters@leics.gov.uk**

Membership

Mrs D. Taylor CC (Chairman)

Cllr. Nags Agath	Salma Manzoor
Cllr. Liz Blackshaw	Cllr. Michael Mullaney
Parisha Chavda	Cllr. Les Phillimore
Cllr Adam Clarke	Cllr. Sarah Russell
Cllr. Sarah Cox	Cllr. Christine Wise
Cllr. Jenny Joannou	Cllr. D. Woodiwiss
Cllr. Kevin Loydall	Cllr. Andrew Woodman

**Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at www.leicestershire.gov.uk
– Notices will be on display at the meeting explaining the arrangements.**

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 13 December 2023.	(Pages 3 - 10)
2. Public Question Time.	
3. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
4. Declarations of interest in respect of items on the agenda.	



5. Police precept proposal and 2024/24 budget.

(Pages 11 - 78)

6. Section 106 update.

A verbal update will be given by the OPCC in relation to contributions received under Section 106 of the Town and Country Planning Act 1990.

7. Date of next meeting.

The next meeting of the Panel is scheduled to take place on Tuesday 12 March 2024 at 2.00pm.

8. Any other items which the Chairman has decided to take as urgent.

Minutes of a meeting of the Leicester, Leicestershire and Rutland Police and Crime Panel held at City Hall, Leicester on Wednesday, 13 December 2023.

PRESENT

Mrs D. Taylor CC (in the Chair)

Cllr. Liz Blackshaw
Parisha Chavda
Cllr Adam Clarke
Cllr Diane Ellison
Salma Manzoor

Cllr. Michael Mullaney
Cllr. Les Phillimore
Cllr. Sarah Russell
Cllr. Andrew Woodman

In attendance

Rupert Matthews – Police and Crime Commissioner

Claire Trewartha – Chief Executive, Office of the Police and Crime Commissioner

Kira Hughes – Chief Finance Officer, Office of the Police and Crime Commissioner

Lizzie Starr – Director of Performance and Governance, Office of the Police and Crime Commissioner

1. Minutes of the meeting held on 9 October 2023 at 12.15pm.

The minutes of the meeting held on Monday 9 October 2023 at 12.15pm were taken as read, confirmed and signed.

2. Minutes of the meeting held on Monday 9 October 2023 at 1.00pm.

The minutes of the meeting held on Monday 9 October 2023 at 1.00pm were taken as read, confirmed and signed.

3. Public Question Time.

There were no questions submitted.

4. Urgent items.

There were no urgent items for consideration.

5. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

6. Delivering the Police and Crime Plan.

The Police and Crime Panel considered a report of the Police and Crime Commissioner (PCC) which provided an update on the delivery of the Police and Crime Plan and the priorities for the remainder of the financial year. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) The Panel welcomed the new format of the reports being presented to the Panel as they were easier to read and clearly set out why the Panel was considering them.
- (ii) In response to a request for the next report regarding the Police and Crime Plan to contain more data, the Panel was informed that Key Performance Indicators were being devised in relation to 13 work streams and these could be included in the next update to the Panel.
- (iii) At the previous Panel meeting the PCC had agreed to provide more detail to the Panel on how many cases were prosecuted as a result of Operation Tacit, how much specialist resource was being consumed by this work, and data on the exploitation of children. In response to a question from a member as to when and how this information would be provided it was clarified that it would be circulated by email before the end of the calendar year.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That a further update on the Police and Crime Plan be brought to the Panel meeting on 12 March 2024.

7. Commissioners update.

The Police and Crime Panel considered a report of the Police and Crime Commissioner (PCC) which provided an update on how the PCC had been fulfilling his duty through his work or the work of the Deputy Police and Crime Commissioner and office throughout October and November 2023. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) The PCC had been holding public meetings to enable the public to raise concerns. Two meetings had so far taken place in 2023 with one more to come that year, and a further two meetings were planned for 2024. Reassurance was given that public meetings would take place in Leicester City as well as the Districts. Issues raised so far at the public meetings included the following:
 - Anti-social Behaviour;
 - Speeding traffic and dangerous driving;
 - Serious violence in Leicester City.
- (ii) The Panel noted that whilst the report gave a lot of information on the events that the PCC had been attended, there was little information on what the result of the events was or whether there was any change in policy following on from them. The PCC agreed to provide more detail on this in future Commissioners Update reports.
- (iii) Whilst PCSO's were able to use mobile speed monitoring equipment, a prosecution could not be carried out as a result of a speed measurement taken by a PCSO. In

response to a suggestion that PCSOs should play a greater role in catching speed offenders the PCC advised that PCSOs and Police Officers each had specific roles and care had to be taken not to merge the two.

- (iv) In response to a suggestion from a member that police officers should undertake more random speed monitoring when they had downtime during a shift, the PCC agreed to discuss this with the Chief Constable.
- (v) The Panel was interested in the work of the Road Safety Partnership and the PCC's role within that. The PCC agreed to provide further details on this topic at a future Panel meeting.
- (vi) In August 2023 the OPCC had submitted 3 bids for Safer Streets funding. The bids were as follows:
 - £315,568 to tackle Violence Against Women and Girls;
 - £313,967.89 to tackle Anti-social Behaviour in the Melton area;
 - £331,055.45 to tackle neighbourhood Crime in Oadby and Wigston.
 Notification had now been received that all 3 bids had been successful and the full funding bid for of £960,591.34 would be received. The Police and Crime Panel welcomed this news. In response to a request for an explanation as to why those particular localities had been chosen it was agreed that this information would be provided after the meeting.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the PCC be requested to provide a report for a future Panel meeting on how the PCC is engaging with the Road Safety Partnership.

8. OPCC Corporate Governance Board update.

The Police and Crime Panel considered a report of the Police and Crime Commissioner regarding the Corporate Governance Board which the PCC used to hold the Chief Constable to account. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

- (i) In response to a question about the effectiveness of Neighbourhood Policing Areas (NPAs) and concerns about the high turnover of NPA Inspectors, the PCC provided reassurance that NPAs did provide value for money. More Sergeants and Inspectors had been located in the neighbourhoods to provide supervision to newly qualified officers. A report on Neighbourhood Policing would be considered at the Corporate Governance Board meeting in March 2024 and the PCC agreed to provide the Panel with the key points from that report at a future Panel meeting.
- (ii) At a previous meeting the Police and Crime Panel had questioned what measures were in place to protect refugees and stop them being exploited. As a result the OPCC raised the issue with the Force at the Corporate Governance Board meeting on 25 September 2023 and was informed by Assistant Chief Constable Michaela Kerr who was leading on this work that the Force was looking to set up an anti-slavery network in Leicester, Leicestershire and Rutland. In response to this the

Police and Crime Panel raised concerns that the answer implied that work was not already taking place to protect refugees. Reassurance was then given by the OPCC that a meeting was taking place in January 2024 to discuss the Force's approach to the exploitation of refugees and the Force would be requested to ensure that the approach involved local authorities.

- (iii) The PCC was looking to put in place a set of standardised performance metrics that would be reviewed with the Chief Constable on a regular basis. The PCC welcomed feedback from the Police and Crime Panel on any high-level strategic metrics that Panel members felt he should consider for inclusion.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the PCC be requested to provide a report for a future Panel meeting on Neighbourhood Policing.

9. Ensuring that Leicestershire Police are delivering for Leicester, Leicestershire and Rutland in implementation of Operation Soteria to develop new national operating models for the investigation and prosecution of adult rape.

The Police and Crime Panel considered a report of the Police and Crime Commissioner (PCC) which set out how he was fulfilling his duty to hold the Chief Constable to account in relation to how the new national operating model for the investigation and prosecution of adult rape was being implemented across the Force area. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) The PCC emphasised that the work included male victims as well as female.
- (ii) The PCC stated that he was reassured that the Force was significantly ahead of schedule for implementation of the national operating model.
- (iii) The Police and Crime Panel raised concerns that some rape cases, where students were the victims, did not go forward for prosecution because the students were moving to other parts of the country after they had finished their course and did not wish to continue supporting the prosecution. Concerns were also raised by the Panel that when the Crown Prosecution Service (CPS) on occasions decided not to prosecute rape cases after lengthy investigations, this caused victims to lose confidence in the system and made them less likely to come forward in the future. The PCC stated that he shared these concerns but noted that the CPS had a high bar in terms of the evidence required to take a case to Court. The Panel questioned whether the CPS was sufficiently aware of the impact on rape victims when decisions were made not to prosecute after the victim had gone through the potential trauma of the investigation process. The PCC agreed to raise this issue with the CPS and report back to the Panel. The PCC also provided some reassurance that the Criminal Justice Board was looking at how the two organisations were dovetailing with regards to rape prosecutions. It was agreed that data on rape cases would be provided to Panel members after the meeting

particularly the numbers of cases where the CPS decided not to prosecute and data on the demographics of victims.

- (iv) The PCC had commissioned the Ethics and Transparency panel to scrutinise the cases of rape in which the victim did not support the investigations. This included dip sampling a significant proportion of rape offences and picking out key themes. The Police and Crime Panel questioned whether the Ethics and Transparency panel had identified ethnicity and language as being barriers to rape victims supporting investigations and whether the Ethics and Transparency Panel needed to look at the matter again in more detail. The PCC agreed to check this and clarify after the meeting.
- (v) With regards to how the Ethics and Transparency panel operated, it was clarified that whilst the PCC gave the Panel the overall issues to look at, how the Panel went about its work and the breadth and depth they covered was up to the individual members.
- (vi) The Panel asked that future reports to the Panel on rape make it clearer when adult victims are being referred to in the report and when underage victims are included and the PCC agreed to this.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That a further update on how the PCC was holding the Chief Constable to account with regards rape investigations and prosecutions be brought to the Panel meeting in March 2024.

10. Update on the how the PCC and Force are implementing the recommendations that were provided as part of the Police and Crime Panel Tasking Group S106 funding review.

The Police and Crime Panel considered a report of the Police and Crime Commissioner (PCC) which provided an update on how the PCC and Force were implementing the recommendations that were provided as part of the Police and Crime Panel Tasking Group Section 106 funding review. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) Attempts were being made to repurpose some existing Section 106 agreements to ensure that the funds were used. In order to do this, agreement from the respective developers (who were to pay the contribution to the Police) and the Local Authority (who were the signatory on the Legal Agreement on behalf of the Police) needed to be obtained. In response to a query about whether Local Planning Authorities were resisting the proposals to repurpose Section 106 monies, it was reported that no resistance had been encountered so far but negotiations were ongoing.
- (ii) Leicestershire Police had not yet spent all the Section 106 funding it had received so far as some of it was ring-fenced. One of the barriers was that developers were insisting that the Section 106 monies be spent in the local area but some of the funding needed to be used across the whole of the Force area, so negotiations with developers were ongoing in this regard. The Panel welcomed the approach the

PCC was taking towards Section 106 and offered its full support with regards to obtaining funding from developers, in particular with arguing that there needed to be more flexibility on how Section 106 funding was spent and that the funding needed to be able to cover the whole force area.

- (iii) All the different Local Authorities in Leicester, Leicestershire and Rutland had different frameworks for making Section 106 applications which was a challenge.

RESOLVED:

- (a) That the contents of the report be welcomed;
- (b) That the PCC be requested to provide updates on Section 106 at all future Panel meetings.

11. Annual Report on Complaints against the Police and Crime Commissioner.

The Police and Crime Panel considered a report of the City Barrister, Leicester City Council, which provided an update on complaints relating to the Police and Crime Commissioner over the previous 12 months. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

12. Review of Leicester, Leicestershire and Rutland Police and Crime Panel Constitution.

The Police and Crime Panel considered a report of the Director of Law and Governance, Leicestershire County Council, which enabled the Panel to review and consider proposed amendments to the Police and Crime Panel Constitution. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

RESOLVED:

That:

- (a) The amendments to the Constitution agreed at the Panel meeting on 2 December 2021 relating to independent member allowances and the power of delegation to refer criminal complaints, be confirmed;
- (b) The amendments to the Constitution relating to the change of host authority as set out in paragraphs 14 and 16 of the report, be agreed;
- (c) Schedule 1 be amended to reflect the current membership of the Panel.

13. Dates of future meetings.

RESOLVED:

That future meetings of the Panel take place on the following dates all at County Hall, Glenfield at 2.00pm:

Thursday 1 February 2024;
Tuesday 12 March 2024;
Tuesday 18 June 2024;
Tuesday 30 July 2024;
Monday 23 September 2024:
Monday 2 December 2024.

1.15 - 2.21 pm
13 December 2023

CHAIRMAN

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**POLICE & CRIME
COMMISSIONER**
For Leicester,
Leicestershire & Rutland

Your Communities - Your Commissioner

Police and Crime Panel for Leicester, Leicestershire and Rutland

1 February 2024

**To present the 2024-25 Band D Precept proposal and
the Commissioner's statutory duties for setting the
2024-25 budget.**

Report Date	23 rd January 2024
Report Author	Kira Hughes, Chief Finance Officer
Security Classification	Not protectively marked

Purpose of Report

1. In his role as the Police and Crime Commissioner (PCC) the Commissioner is required to secure efficient and effective policing for Leicester, Leicestershire and Rutland and set budget and precept.
2. The PCC brings this report to outline for the Police and Crime Panel how he is fulfilling his duty when setting the budget 2024-25 and put forward a policing precept proposal for consideration by the Panel.

Request of the Panel

3. In their role to scrutinise the actions and decisions of the PCC, the Commissioner requests that the Panel examines the contents of this report and the appendices.
4. He would specifically like to ask the Panel to support his proposal to increase the 2024-25 precept by £13.00 per annum for policing purposes to £286.2302 for a Band D property.

Summary

5. The Force are dealing with a multitude of complex challenges including increases in demand and increased expectations of policing. As population increases, so does volume and complexity of reported crimes.
6. Conversely, the budget setting process hasn't been without its challenges. Unfunded pay awards relating to 2022/23 and 2023/24, inflationary increases and increases in resources due to demand pressures have all contributed to a £5.4m budget deficit. The increases in expenditure outweigh the overall increases in available funding.
7. A precept increase on a Band D property of £13 will assist the reduction on the deficit and will help with the maintenance of current service level. Not applying the £13 increase would have an adverse impact on the amount of funding available for policing for the residents of LLR.
8. Plans to meet the £5.4m efficiency savings target are in a relatively advanced stage and more detail available in Appendix 1.

Background, Relevant Data and Trends

Secure an Efficient and Effective Police Service

9. Under Section 1(6) of the Police Reform and Social Responsibility Act 2011 (PRSRA) the Police and Crime Commissioner has a statutory duty to secure an efficient and effective police service for their area. The Commissioner is the recipient of funding relating to policing and crime reduction, including government grant, precept and other sources of income and holds the Police Fund.
10. The Government announced the provisional settlement on the 14th December and confirmed an additional £7.7m of central government funding for 2024-25.

11. The following table shows the increase on available funding for 2024-25:

	2023-24	2024-25	£m	%
	£m	£m	Increase	Increase
Home Office Core Funding	80	86.7	6.7	8.4%
Ex-MHCLG Formula Funding	47.7	48.7	1.0	2.1%
Council Tax Support Grant*	7.0	7.0	0.0	0.0%
Council Tax Freeze Grant	1.9	1.9	0.0	0.0%
Precept & Collection Fund	93.3	98.8	5.5	5.9%
Total	229.9	243.1	13.2	5.7%

NB. Excludes £6.5m Home Office Uplift Grant & £6.6m Home Office Pension Grant

12. As part of the budget setting process the Chief Constable set out the current and emerging operational challenges, both nationally and locally (See Appendix 3 – Review of the Medium-Term Financial Plan Budget Setting 2024/25 and the operational implications).

13. Appendix 2 sets out the strategic context including how the force has achieved efficiencies in recent years and the challenges the force faces when it comes to the budget deficit. The report also sets out what is required operationally to ensure an effective and efficient police service.

14. The Chief Constable presented a budget requirement of £248.5m, resulting in a budget gap of £5.4m. It is recognised that there is a requirement to set a balanced budget for 2024-25 and therefore efficiency savings for 2024/25 are required.

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)				
	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Budget Requirement	248.5	260.4	269.7	277.0
Net Funding	243.1	251.1	259.4	267.8
Funding Gap / (Surplus)	5.4	9.3	10.3	9.2
Reductions:				
Efficiency Savings	-5.4			
Revised Funding Gap / (Surplus)	0.0	9.3	10.3	9.2

15. The Chief Constable has set out in his report (Appendix 3) the resources he requires to deliver an efficient and effective police force and reflected this within the proposed budget. This report demonstrates that the Force cannot, in isolation, reduce its workforce further whilst delivering a good service and high standards without further transformation, investment and by retaining the right workforce mix. The Force has embarked on a transformation program that has strengthened local leadership, enhanced the investigative approach, and focused on delivering a good service with high standards, whilst being fully integrated with the efficiency program.

16. The OPCC Chief Finance Officer (CFO) has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget

for 2024-25. In respect of the budget, this has included scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.

Set a Balanced Budget.

17. In accordance with Local Government Finance Act 1992, the Commissioner is required to set a balanced budget.
18. The total available funding for Leicestershire is £243.1m based on a £7.7m increase in Core and MCHLG funding from 2023/24 and £5.5m additional precept funding. The additional precept funding is delivered only if the Policing element of the Band D Council Tax bill increases by £13.00 (4.76%) from £273.23 to £286.23.
19. The Commissioner will continue to allocate approximately 97.3% of the available funding to the Chief Constable, for use on local policing and regional collaborations to safeguard and improve policing services across the entire Force area of Leicester, Leicestershire and Rutland.
20. The Commissioner has been briefed on the current financial landscape, as well as the risks and challenges (as set out in Appendix 1 and Appendix 3).
21. A meeting took place on 11th December between the PCC, the CC and their senior officer teams. The following financial planning details were agreed in principle, and are used to inform the budget build for 2024/25:
 - i. Maintain Police officers at 2,242 Full Time Equivalent (FTE) / 2298 headcount to meet nationally imposed PUP uplift requirements and prevent financial penalties.
 - ii. Budget built on 200 PCSOs and 1202 Police Staff subject to future review.
 - iii. Full year effect of September 2023 pay award at 7%.
 - iv. Provision for 2.5% pay award from 1 September 2024 for Officers, PCSOs and Staff (reference Policing Minister - meeting on 14 December on Provisional Police Funding Settlement).
 - v. Targeted non-pay inflation increases ranging from 0 to 10+% where known.
 - vi. Job evaluation costs of £0.2m for implementation from 1 September 2024.
 - vii. EMSOU increase of £1m.
 - viii. Police overtime at £4m (including request to increase by £0.3m growth).
 - ix. Savings of £3.9m identified during 2023/24.
 - x. Police Pension Contribution increase of £4m funded by Home Office grant.
 - xi. Inclusion of the revenue consequences of the Capital Programme for 2024/25.
 - xii. Inclusion of £1.6m investments for 2024/25 only.
 - xiii. OPCC pay and non-pay inflation included. Budget maintained at 2.7% of core funding.
 - xiv. Grant funding based on Home Office Provisional Settlement (ASB / Hotspot funding grant of £1.5m and related expenditure currently not included in the budget).
 - xv. Band D precept increase of £13.
 - xvi. Tax base increase of 1.2% (until confirmed).
 - xvii. Collection Fund surplus of £0.25m (until confirmed).

22. The Commissioner received three business cases relating to one off investments for additional resources for 12 months to meet demand in the Call Management Centre whilst the work on 'right care right person' is embedded, resources to meet additional training needs to ensure officers have the right skills for the role because of retirements and new legislation (accreditation) and the upgrade of the HR System. The Commissioner agreed to use £1.5m of the Budget Equalisation Reserve to fund these one-off items of expenditure.
23. The Commissioner, in agreement with the Chief Constable, set an efficiency savings target of £5.4m to bridge the deficit and move to a sustainable position. Several areas will be explored, and an efficiency savings plan will be drawn up. The Commissioner will hold both the Chief Constable and the Chief Executive to account for achieving the savings through the appropriate governance structure.
24. The budget requirement and proposed precept were agreed on 22nd January 2024.

Set the policing precept for their area and consult with the local taxpayers
25. The Local Government Finance Act requires the Commissioner by law to set the policing precept for Leicester, Leicestershire and Rutland.
26. As stated above the Commissioner has been briefed by the Chief Constable on the operational requirements. The Chief Constable has also provided an explanation of how the maximum precept is required to prevent significant service reduction across Leicester, Leicestershire, and Rutland and maintain good value and efficient police services.
27. On the 6th December 2023 the Government released Local Government Finance Policy Statement 2024 to 2025, which set out its intentions for local government finance settlement. The policy statement states a £13 referendum principle on Band D bills for Police and Crime Commissioners.
28. The Commissioner was presented with several precept scenarios to help aid his decision when setting the policing precept. He was presented with the amount of additional income available by increasing the policing precept by £13, £10, £5 or freezing the policing element of the precept. In conjunction with this he was also presented with the amount of income he would forego if he went for a precept level which was below that set by the Policing Minister, and the impact over 5 and 10 years.

	2023-24	2024-25	2024-25 £5	2024-25 £10	2024-25 £13
		Freeze CT	Increase	Increase	Increase
Tax Base (assumed increase of 1.5%)	340,271	345,375	345,375	345,375	345,375
Precept - Band D Property (£)	273.23	273.23	278.23	283.23	286.23
Precept (£m)	92.972	94.367	96.094	97.821	98.857
Additional Income from precept (£m)		1.39	3.12	4.85	5.88
<i>If precept referendum limit is set at £13:</i>		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amount of income foregone in 2024/25		4.49	2.76	1.04	0.00
Amount foregone over 5 years		22.45	13.81	5.18	0.00
Amount foregone over 10 years		44.90	27.63	10.36	0.00

29. Based on an assumed taxbase increase of 1.5% (the taxbase has since been estimated at 1.2% increase), the Commissioner was informed that increasing the precept would generate additional income up to £5.88m. Conversely, opting for a council tax freeze or anything less than £13 would result in up to £44.9m of available funding foregone over the next 10 years.
30. Leicestershire Police currently have the 11th lowest level of funding per head of population in the country therefore any reduction in available funding (including precept) would have an adverse impact on the amount of funding available for policing for the residents of LLR. The compound effect over 10 years (in cash terms) will never be able to be recompensed without triggering a referendum.
31. The Police Reform and Social Responsibility Act 2011 places statutory duties on the Commissioner to obtain the views of local taxpayers on the level of precept. The Commissioner commissioned an independent body to undertake a consultation with the public regarding their perception of Crime and Policing, with particular reference to public trust and confidence and funding. The aim was to give the PCC the insight needed to target scarce resources in the areas where the public perception is that that Leicestershire Police needs improvement. As part of this survey the PCC consulted with residents; via an online survey and through focus groups; on the level of precept they were prepared to pay. To this end he offered all residents of Leicester, Leicestershire and Rutland the opportunity to give their views.
32. The survey asked if residents of LLR were prepared to pay more towards policing. There were 2,283 responses to the survey/focus groups. Of these, 58% indicated that funding for Leicestershire Police, collected through Council Tax, should be increased. 34% favoured a funding freeze.
33. The Commissioner has considered all the information provided to him and has considered the impact his decision in relation to precept will have on the residents of Leicester, Leicestershire and Rutland. He is sympathetic to how the economic climate and fiscal decisions are impacting on families across LLR. He is also fully aware of the impact that the precept will have on the services provided by Leicestershire Police to the resident of LLR.

34. After careful consideration of these factors, the Commissioner is proposing a Band D precept increase of £13.00 per annum for the 2024-25 financial year in line with Home Office assumptions.

Identify and agree a Medium-Term Financial Strategy, a Capital Strategy, an Investment Strategy and a Reserve Strategy

35. As per the Home Office Financial Management Code of Practice 2018 (the FMCP) the Commissioner, alongside the Chief Constable, is responsible for providing effective financial management and budget planning across the short, medium and long term. The FMCP states that the financial regulations should include the requirement for the PCC, in consultation with the Chief Constable, to identify and agree a Medium-Term Financial Strategy (MTFS) which includes funding and spending plans for both revenue and capital.
36. Paragraph 52 – 57 of Appendix 1 sets out the key components of the MTFS including the assumptions used when determining the medium-term financial plan.
37. The PCC's CFO and Chief Constable's CFO work closely throughout the year to ensure that the MTFS has regard for the Police and Crime Plan, the Strategic Policing Requirement (SPR), unavoidable future commitments, revenue implications of the Capital Programme, affordability, risks and challenges, and the need to deliver efficiency savings. The CFOs have to ensure that the Commissioner's and Chief Constable's plans and priorities are interpreted into a feasible Medium-Term Financial Plan (MTFP).
38. The MTFS has been developed which covers the next four financial years and is formulated using the best information available at this time. The MTFP will be regularly reviewed and updated as assumptions are subject to change depending on new information becoming available.
39. The Commissioner was presented with a proposed capital programme, which sets out new capital projects required to support delivery of the policing objectives. The Commissioner agreed the Capital Strategy, including the proposed capital expenditure and financing of the capital projects.
40. The Commissioner and his team will work with the Force to identify further S106 funds which could be used as an available source of funding for the capital programme.
41. The aim of the Treasury Management Strategy (Appendix 5) is for the Commissioner to have an appropriate balance of borrowing and investments, in keeping with the principles of affordability and prudence and maintaining longer-term stability.
42. The MTFS, Capital Strategy and Treasury Management Strategy were agreed on 22nd January 2024.
43. As the holder of the Police Fund the Commissioner is responsible for the reserves. A Reserve Strategy was agreed in March 2023 which sets out the guiding principles when it comes to use of the reserve and maintaining the reserve balances. The FMCP states reserves should

be held by the PCC and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.

44. The Commissioner has agreed to the use of £4.3m of reserves as part of the budget proposal and to support the budget requirement. Details of the planned use of these reserves are detail in Appendix 1.
45. The PCC's CFO has a statutory responsibility to advise the Commissioner on the robustness of the estimates and adequacy of financial reserves. The PCC's CFO advised the Commissioner that the General Reserve is close to the lower end of the recommended range for this reserve. It is recommended by the Home Office guiding principles that the General Reserve should be between 2% and 5% of the Net Revenue Expenditure (NRE).
46. As the income has increased this year the General Reserve, which is expressed as a percentage of the NRE, has fallen in relation and now sits at 2.06%. The Commissioner maintains his stance, as previous years, that this should be increased. The PCC's Chief Finance Officer has recommended that the General Reserve is increased for 2024-25 and will be looking at the Reserve Strategy, with the Commissioner, in February to develop a plan to bring this up to 2.3%.

Commission services to support delivery of local priorities.

47. Section 9 of the PRSRA and Section 143 of the Anti-Social Behaviour, Crime and Policing Act 2014 states the PCC has powers to commission services and make grants, primarily aimed to tackle crime reduction/prevention, and support victims and vulnerable people, or those affected by crime.
48. The Commissioner has continued to allocated 2.7% of total available funding for 2024-25 to the Chief Executive for the Office of the Police and Crime Commissioner including Commissioning. Of that 2.7%, £4.65m or 70% is allocated to commissioning services to support the people of Leicester, Leicestershire and Rutland.
49. The Commissioning Strategy sets out the commissioning intentions and aligns the priorities to the Police and Crime Plan. The OPCC spends £1.4m on Victims Services of which £1.3m is funded by the Ministry of Justice Victim and Witness Grant.
50. The Commissioner also provides funding for substance misuse services, safeguarding boards, suicide prevention, YOS, Young Adults Pathways, Domestic Homicide Reviews and Out of Court Disposals. The Commissioner also provides funds to support the Community Safety Partnerships.
51. The OPCC commissions the Force to deliver a number of services including Integrated Offender Management, Police Offender Management and contributes towards Multi Agency Risk Assessment Conference (MARAC) posts. The OPCC has agreed to provide a further £400k from the Commissioning budget towards the Force's Prevention and Partnership Strategy.

52. The OPCC has opportunities throughout the year to submit bids to funding bodies for additional funding. The OPCC has already secured an additional £6m for the next 2 financial years to spend on services for the residents of LLR.

Office of the Police and Crime Commissioner

53. The OPCC budget is built on a model which allows the OPCC to:

- fulfil its statutory functions.
- hold the Chief Constable to account effectively.
- deliver on the Police and Crime Plan objectives.
- commission services to support the people of Leicester, Leicestershire and Rutland.
- understand better the views and expectations of the public -
- communicate - effectively with stakeholders, such as Councillors, Community groups and the wider criminal justice system.

54. The Office budget including staffing and running costs equates to 30% of the overall budget allocated to the Chief Executive and 0.08% of the overall available core funding.

55. The staffing budget is attributable to the following functions:

	FTE	Total Cost (£)
Fulfil Statutory Functions	5.00	474,656
Hold Chief Constable to Account	5.68	320,534
Governance	5.00	212,620
Commissioning and Partnerships	8.00	445,408
Communications with the public	4.60	161,847
Total	28.28	1,615,065

56. The increase in staffing budget is due to a change of budgeting line. The Office has posts to deliver specific commissioned projects. Last year these posts were included in the Commissioning of External Parties Line, this year they have been moved into the Staffing line to ensure all staffing is visible within the same budget area.

1. The FTE of the office has increased by two due to the permanent appointment of a Director of Strategy, Partnerships and Commissioning and a Communications Officer. This Director of Strategy, Partnerships and Commissioning role was previously in place but was filled by a seconded Police Officer, which did not show in the figures last year. The Communications Officer is offset by grant income.

----- End of Report -----

List of Appendices

Appendix 1 - Proposed Precept 2024-25 And Medium-Term Financial Plan (MTFP)

Appendix 2 – Budget Requirement

Appendix 3 - Review of Medium-Term Financial Plan Budget Setting 2024/2025 and the Operational Implications

Appendix 4 – Capital Strategy

Appendix 5 – Treasury Management Strategy



POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

CORPORATE GOVERNANCE BOARD

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE
Date	WEDNESDAY, 17th JANUARY 2024
Subject	PROPOSED PRECEPT 2024-25 AND MEDIUM-TERM FINANCIAL PLAN (MTFP)
Authors	PAUL DAWKINS, ASSISTANT CHIEF OFFICER FINANCE & RESOURCES, OFFICE OF THE CHIEF CONSTABLE KIRA HUGHES, CHIEF FINANCE OFFICER, OFFICE OF THE POLICE AND CRIME COMMISSIONER

Purpose of the Report

1. To present the 2024-25 Band D Precept Proposal and the additional considerations contained within it.
2. To present the Medium-Term Financial Plan (MTFP).

Recommendations

3. The Board is asked to:
 - a. Note the information presented in this report, including:
 - the total 2024-25 net budget requirement of £243.153m,
 - a council tax (precept) requirement for 2024-25 of £98.544m,
 - b. Support the transfer of £1.511m from Budget Equalisation Reserve towards Investments.
 - c. Provide a contribution of £0.4m from the Commissioning budget towards the Force's Prevention Strategy.
 - d. Support the proposal to increase the 2024-25 Precept by £13.00 per annum (4.76%) for police purposes to £286.2302 for a Band D property.
 - e. Note the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational considerations identified.
 - f. Note the Home Office grant allocations notified through the provisional settlement and the Band D council tax base and estimated collection fund deficit received from the billing authorities.
 - g. Note the current Medium-Term Financial Plan (MTFP) contained in Appendix 1, the Review of the Medium-Term Financial Plan Budget Setting 2024-25 and the

operational implications at Appendix 2, the Capital Strategy at Appendix 3 and the Treasury Management Strategy at Appendix 4.

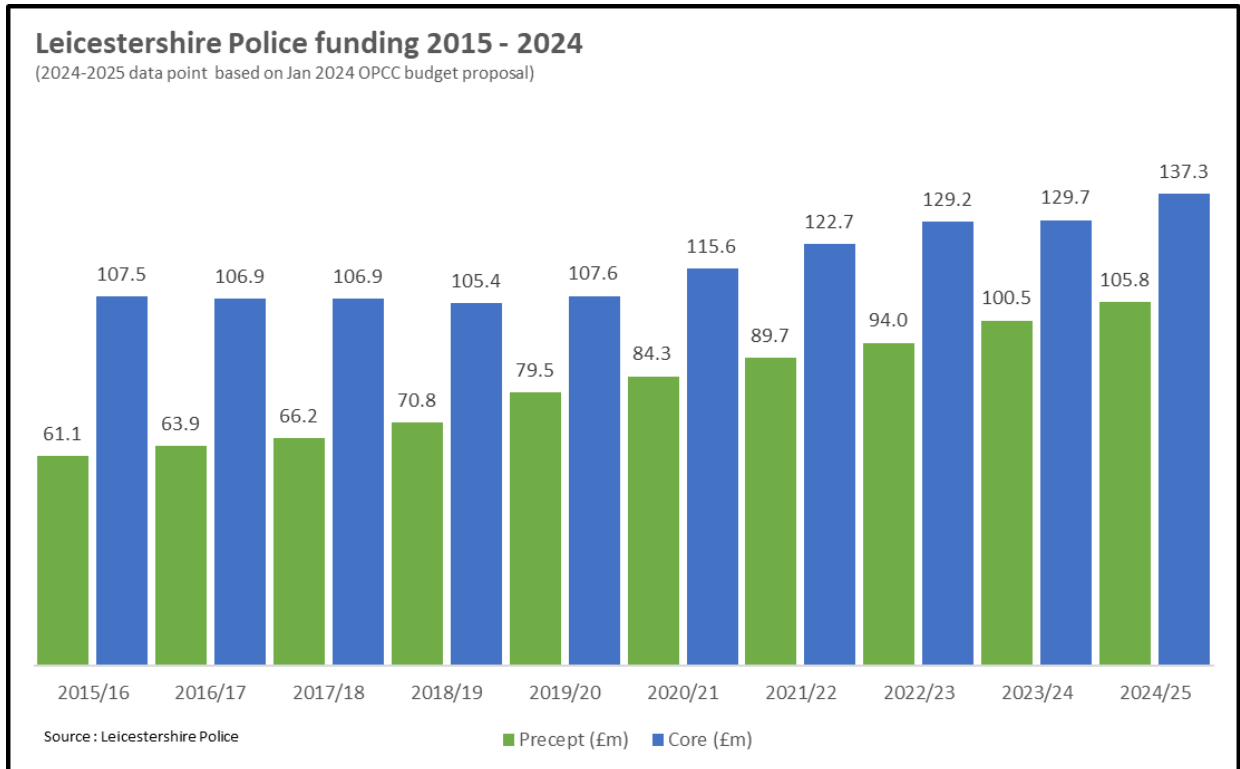
Executive Summary

4. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC) and Force colleagues, and takes account of public and stakeholder consultation, key government announcements and economic pressures.
5. The Police Grant Provisional Settlement was announced on 14th December 2023 and confirmed a £7.7m increase in revenue grant funding. The precept referendum threshold has been confirmed at £13 for a Band D property.
6. The Commissioner has been briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable and has considered this advice in preparing the budget for 2024-25 (See Appendix 2 – Review of the Medium-Term Financial Plan Budget Setting 2024/25 and the operational implications).
7. The Commissioner has been briefed on the current financial landscape, which has become a challenging one for policing. A nationally-set pay agreement for all Police Officers and Police Staff, higher inflation, volatility in the energy and fuel markets and other inflationary pressures have put significant pressure on the Force's budget.
8. The budget is focussed upon the Commissioner's priorities as contained within the Police and Crime Plan and the Strategic Policing Requirement, and ensures there are strong links with the Force Target Operating Model (TOM).
9. Other investment items totalling £1.611m are contained within the budget proposals for 2024-25. This is to meet the demand in the Call Management Centre, investment in a new Head of Prevention and Partnership post, resources to meet additional training needs and investment in the HR system.
10. The Commissioner was keen to consult with local residents regarding their perception of Crime and Policing with particular reference to public trust and confidence and funding. The aim was to give the PCC the insight needed to target scarce resources in the areas where the public perception is that the Leicestershire Police needs improvement. As part of this survey the PCC wanted to consult with residents; via an online survey and through focus groups; on the level of precept they were prepared to pay. To this end he offered all residents of Leicester, Leicestershire and Rutland the opportunity to give their views.
11. The survey asked if residents of LLR were prepared to pay more towards policing. There were 2,283 responses to the survey/focus groups. Of these, 58% indicated that funding for Leicestershire Police, collected through Council Tax, should be increased. 34% favoured a funding freeze.
12. The Commissioner will continue to allocate approximately 97.3% of the net revenue budget requirement of £243.153m to the Chief Constable, for use on local policing and regional collaborations in order to safeguard and improve policing services across the entire Force area of Leicester, Leicestershire and Rutland.

Leicestershire Context

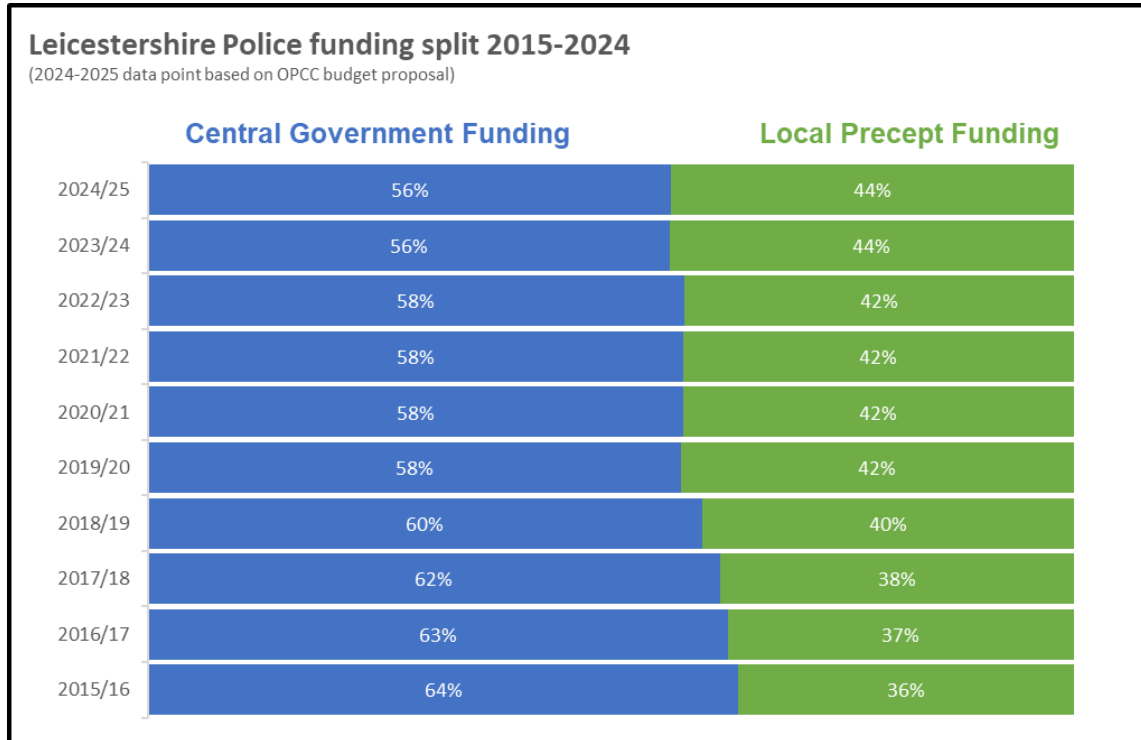
- 13. This section sets out some key information in relation to the policing area and the external factors that are driving demand which have a significant impact on policing in Leicester, Leicestershire and Rutland.
- 14. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2015/16. It shows the actual cash grant received each year and does not consider the real terms reduction in funding.
- 15. The chart shows that core grant funding has increased from £107.5m in 2015-16 to £137.3m for 2024-25 an increase of 27.7%.
- 16. The graph also shows that the funding raised locally has increased significantly over the same period. In 2015-16 £61.1m was raised directly from residents of the area (and related grants) and for 2024-25 this will increase to £105.8m. An increase of £44.7m or 73.2% over the period.

Chart 1 - Leicestershire Police Funding 2015-2024



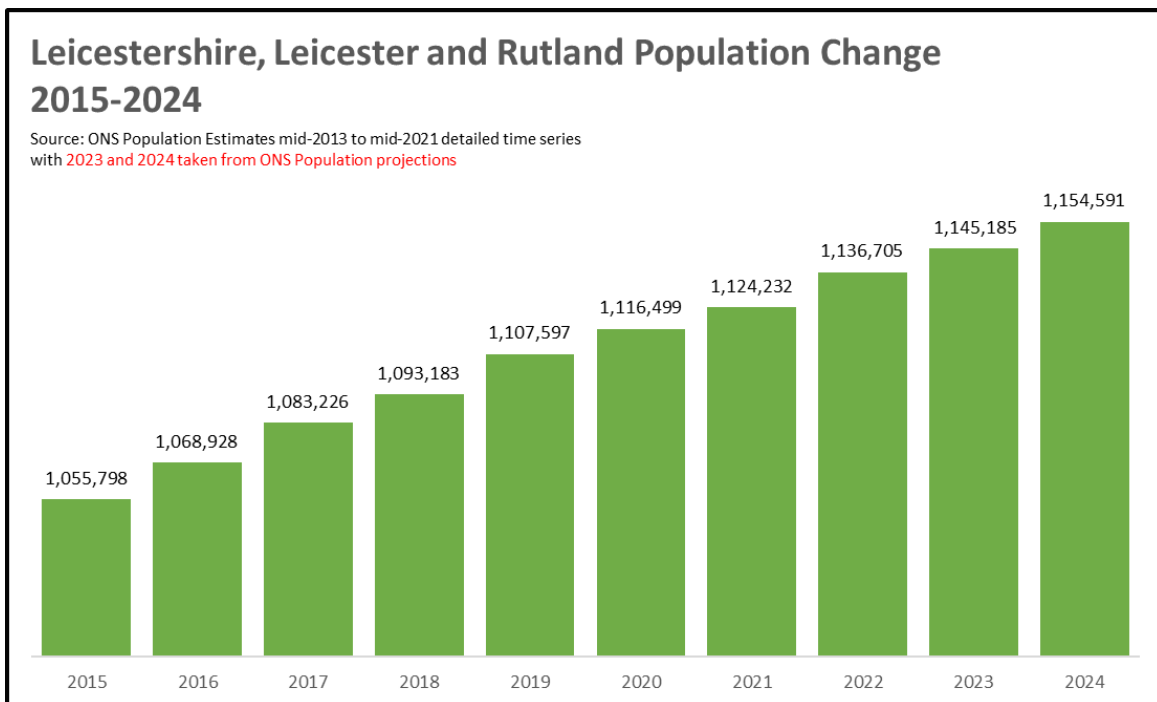
- 17. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2015-16. It shows that in 2015-16 64% of the funding came from Core Grant with the balance of 36% coming from the local precept. For 2024-25 this has moved significantly to show that 56% of the total funding will come from Core Grant and that 44% of funding now comes directly from the local taxpayer (and related grants).

Chart 2 - Leicestershire Police Funding Split 2015-2024



18. Chart 3 shows how the population within Leicester, Leicestershire and Rutland has increased significantly since 2015.

Chart 3 – LLR Population Change 2015-2024

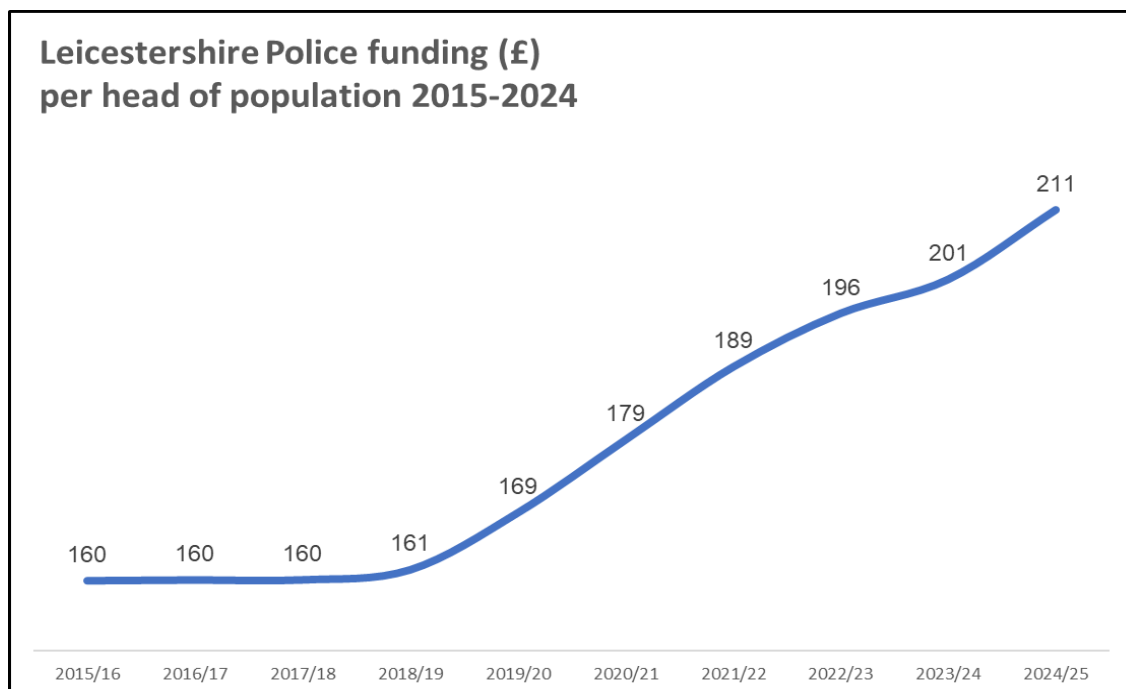


19. Chart 4 below shows how much of total funding (core grant and precept) is received per head of population for Leicester, Leicestershire and Rutland (LLR). This shows that LLR receive approximately £211 per head of population which is lower than the national

average. If funding was lifted to the average around £8m more funding would be available for investing in policing in the area.

20. Leicestershire Police funding per head of the population is the 11th lowest in the country.

Chart 4 - Leicestershire Police Funding by Population 2015-2024



Grant Settlement 2024-25

21. On the 6th December 2023 the Government released local government finance policy statement 2024 to 2025, which set out its intentions for local government finance settlement. The policy statement states:

1. A £13 referendum principle on Band D bills for Police and Crime Commissioners.
22. The Provisional Police Grant Settlement was announced on 14th December 2023. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement and the final settlement is expected in January 2024.
23. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £7.7m. The overall increase in funding is broken down as follows:

	2023-24	2024-25	€m	%
	€m	€m	Increase	Increase
Home Office Core Funding	80	86.7	6.7	8.4%
Ex-MHCLG Formula Funding	47.7	48.7	1.0	2.1%
Council Tax Support Grant*	7.0	7.0	0.0	0.0%
Council Tax Freeze Grant	1.9	1.9	0.0	0.0%
Precept & Collection Fund	93.3	98.8	5.5	5.9%
Total	229.9	243.1	13.2	5.7%

NB. Excludes €6.5m Home Office Uplift Grant & €6.6m Home Office Pension Grant

24. The additional precept funding is only delivered if the Policing element of the Band D Council Tax bill increases by €13.00 (4.76%) from €273.23 to €286.23. This generates an

extra £5.5m in revenue funding based on a Band D tax base of 344,284 and an estimated Collection Fund surplus of £0.250m.

25. There are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases.

Tax base and Collection Fund details

26. Leicester City Council, Rutland County Council and the Borough and District Councils are responsible for estimating the tax base in their area, and the Council Tax Collection Fund surplus or deficit.
27. The total tax base is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
28. In 2023-24 the tax base used in setting the budget for the Commissioner was 340,271 Band D equivalent properties. For 2024-25 this has increased to 344,284 Band D equivalent properties.
29. The collection fund surplus for 2024-25 is currently estimated at £0.25m. This is currently an estimate as awaiting confirmation from billing authorities which is expected late January/early February 2023.

Council Tax Referendum Limit

30. The Localism Act 2011 requires authorities, including Police and Crime Commissioners, to determine whether their “relevant basic amount of council tax” for a year is excessive, as such increases will trigger a council tax referendum.
31. From 2012-13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive. The Home Office has confirmed that in order to maximise council tax income for 2024-25, Police and Crime Commissioners can increase their precept on a Band D property by up to £13.00 without triggering a referendum.

Risks

32. There are number of financial risks within the draft budget requirement, as summarised below:
1. Pay inflation – is included for 2024-25 at 2.5% and for each year over the MTFP period. The Policing Minister has suggested that PCC’s should plan for a 2024 pay award of 2.5% and anything in excess will be reimbursed by the Treasury. The pay award will be subjected to independent pay review and treasury ratification in the Autumn.
 2. Police Staff Job Evaluation – The Force continues to progress the evaluation of its Police Staff posts. There are £0.2m of revenue costs included in the base budget to cover the job evaluation team cost. Pay protection and ongoing pay costs have been estimated at £6.3m over the MTFP period to 2027-28. However, further work is ongoing in relation to pay modelling which is likely to alter this estimate. It is not envisaged that Job Evaluation will be implemented before 1st September 2024.
 3. The Chief Constable, along with other Chief Constables nationally and the Home Office, currently have a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. The Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1

October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. With regards to Penningtons, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in the Force's MTFP at present.

4. Emergency Services Network (ESN) – The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2030. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave vehicle terminals as these are now beyond economic repair at a cost of £340k.
5. Digital transformation and Cloud migration – the Force has developed a digital transformation strategy, part of which includes the move from on premise data storage to Cloud storage which will enhance operational analytical capability. The risks and costs associated with this are factored into the funding envelope but are likely to change through time as the migration evolves.

Base Budget Preparation, Approach, and Scrutiny

33. In 2008-09 the Force introduced a risk-based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks.
34. The Force continues to consider key corporate risks when setting the budget.
35. Essentially these risks are operational and organisational around managing people, infrastructure assets, information and so on. The Force has maintained and kept up to date, its Corporate Risk Register that sets out how it intends to control and mitigate these risks. The Corporate Risk Register is regularly reported to the Joint Arrangements Risk and Assurance Panel which is a public meeting.
36. The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at both Directorate and Departmental level.
37. Each year, the Force undertakes a major exercise to review its operational risks which are set out within the "Force Strategic Policing Assessment". This was also informed by the work of regional collaborations.
38. The purpose of the Force Strategic Assessment is to identify those areas of greatest risk. Essentially, a high risk area is where only limited resources have been allocated to address a substantial risk, thereby creating a significant risk gap.
39. The revised four-year financial forecast and, in particular, the 2024-25 budget contained within this report aligns the Force and Commissioner's financial resources to risk and therefore, is fundamental to the Force's performance management regime.
40. The OPCC Chief Finance Officer (CFO) has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget for 2024-25. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.
41. The Commissioner, together with his Senior Management Team have held regular discussions with the Chief Constable and his Chief Officers throughout the year,

particularly prior to and throughout the budget preparation process and the announcement and interpretation of the Settlement.

42. This has resulted in a number of discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFP and associated risks.

Revenue Budget 2024-25

43. The base budget for 2024-25 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.

44. In line with this approach, the Board is advised that the total net budget requirement in 2024-25 is £243.153m. This equates to an increase of £13.2m (5.7%) from the 2023-24 net budget requirement level of £229.979m (see Appendix 1).

45. The table overleaf summarises the 2024-25 draft budget requirement:

	£	£
2024-25 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	141,656,410	
Staff & PCSO Pay & Allowances	67,490,406	
Regional Collaboration	10,775,177	
Police Officer Pensions	4,109,567	
Non-Pay Expenditure	50,326,126	
Inflation Contingency	4,335,217	
Income	(19,323,678)	
Office of the Police and Crime Commissioner	1,993,904	
Commissioning	4,654,011	
Specific Grants	(1,278,828)	
TOTAL		264,738,312

There are other budget streams which when added to the above makes up the 2024-25 net budget requirement. These are listed below.

	£	£
2024-25 Base Budget Requirement (Gross)		264,738,312
Home Office Pension Grant	(6,194,804)	
Home Office Pension Remedy - One Off Grant	(391,280)	
Home Office Uplift Grant	(6,463,666)	
Investment	1,611,188	
PCC Contribution towards Force Prevention Strategy	(400,000)	
Efficiency Savings	(5,406,871)	
Transfer from BER for specific projects	(3,641,520)	
General transfer to / (from) reserves	(698,141)	
2024-25 Base Budget Requirement (Net)		243,153,218

46. There are a number of significant aspects of the budget to highlight in line with the Police and Crime Plan priorities as follows.

- **Police Officers** – The Police Officer pay and allowances budget is calculated based on the latest recruitment and attrition forecasts, taking into account:
 - An authorised establishment of 2,242 officers, this includes 45 officers located in regional teams. Police pay reflects the cost of 2,197 FTE officers with the cost of the remaining 45 officers included in the Regional budget line.
 - To receive the 2024-25 Police Uplift Grant of £6.5m the Force needs to have 2,298 officers (headcount) on the 31st March 2025.
 - Rank and incremental changes.
 - Externally funded and seconded officers.
 - Allowances.
 - The 2023 pay award of 7%
 - Changes to the Employers Pension contribution rate. The rate applied (after adjustment for ill health retirements) has increased by 4.3%. This has been funded through an increase in the Home Office specific Grant, and for 2024/25 covers the budgeted costs.

The officer establishment of 2,242 includes a number of funded posts. Where future transformation and modernisation is required to mitigate future funding deficits, the establishment may need to be reviewed.

Financial year 2022-23 was the last year of the Government's uplift programme for police Officers. 2024-25 will again be focussed on maintaining the uplift numbers of 300 officers. Receipt of the Police Uplift Grant will be linked to the maintenance of police officer numbers during the year.

- **Support Staff & Police Community Support Officers (PCSOs)** – The budget is based on 1,402 FTEs this includes both the investment posts approved in 2023-24 to meet demand and the removal of 21 FTE posts to meet the 2023-24 efficiency target. The

savings associated with the efficiency target are £828k. The September 2023 pay award of 7% has been budgeted for.

The Force is also currently undertaking Job Evaluation of its police staff posts and estimated pay protection and related costs of £6.3m have been included within the MTFP.

- **Pay Awards** – Police Officers, PCSOs and Police Staff, were awarded a £1900 pay increase from 1 September 2022 and 7% pay increase from 1 September 2023. The cost of these pay increases in 2024/25 is £7.1m more than the Home Office grant funding provided. This has placed significant strain on the Force’s budget and has caused the projected funding deficits in the MTFP from 2024/25 onwards.
- **Regional Budgets** – Regional collaboration budgets relate to Leicestershire Police’s share of collaborative arrangements which include the cost of 45 police officer posts. The budget for regional collaboration in 2024-25 is £10.8m which is still subject to ratification by regional PCCs at the time of writing this report. This includes the cost of the Regional Organised Crime Unit (ROCU) uplift officers.
- **Non-pay** – In common with other public sector organisations the Force has had to manage the consequences of higher inflation rates than forecast in the MTFP. This has caused particular pressures for IT and contract related expenditure. However, it has been possible to reduce the expenditure on utilities and fuel following stabilisation in the markets. The most significant increases include:
 - IT systems / hardware maintenance £0.385k
 - Network and radio equipment hire £0.1m
 - Software Licences / Purchases £0.7m, 0.5m of this relates to the year 1 costs of the Digital Hub transformation project which is funded through reserves.
 - Infrastructure maintenance £0.2m
 - Dangerous dogs £0.1m
 - Custody Detention Officer Contract £0.1m following extension of contract
 - Forensic Services contract £0.2m
 - Implementation of Pension Remedy contractual costs £0.1m
 - Cleaning, Trade Waste and cleaning consumables contracts £0.145m
 - Estate Repairs and planned maintenance £0.2m (price increases on estates work have been significant due to increases in material costs)

The Force’s gas and electricity for the financial year 2024-25 is currently being purchased by Crown Commercial Services. Based on the energy purchased to date the electricity and gas budgets have been reduced by 40% and 25% respectively resulting in savings of £1.3m.

The vehicle fuel budget has been reduced by £0.2m.

Investments

47. Investment items totalling £1.611m are contained within the budget proposals for 2024-25. This includes additional resources for 12 months to meet demand in the Call Management Centre whilst the work on ‘right care right person’ is embedded, investment in a new Prevention and Partnership Head of Department to assist in reducing long term demand, resources to meet additional training needs to ensure officers have the right skills for the role as a result of retirements and new legislation (accreditation) and the upgrade of the HR System. Of the £1.611m investments, it is proposed that £1.511m is funded through the Budget Equalisation Reserve. The investments include:

- a) Resources for Contact Management of £1.208m

- b) Head of Prevention and Partnerships of £0.1m
- c) External Training Requirements £0.17m
- d) HR system upgrade £0.132m

Capital Strategy, Capital Programme and Treasury Management Strategy

48. The Capital Strategy 2024-25 is set out in Appendix 3. The revenue consequences of the proposed programme have been considered in the development of the revenue budget, and the required prudential indicators are set out.
49. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
50. The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2030. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave vehicle terminals as these are now beyond economic repair at a cost of £340k.
51. The Treasury Management Strategy report is set out at Appendix 4. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and explains the Investment Strategy in relation to reserves and balances.

Medium Term Financial Plan (MTFP)

52. It is a requirement that the Police and Crime Plan and budget must cover the period until the end of the financial year of the next election for PCCs. Elections are due to take place in May 2024. Thus the relevant date is 31st March 2025.
53. However, prudent financial management requires the Commissioner to have an MTFP that covers a period of at least four financial years. The financial information detailed in Appendix 1 covers a four year period, until the 31 March 2028. This provides a longer term view which will enable informed decision making to take place over the period of the plan. This is not without its challenges, given that there is only a firm Government announcement of funding for 2024-25 and no indication of potential funding beyond next financial year.
54. However, an MTFP has to be formulated using the best information available at the time of producing it. The attached MTFP has been produced on this basis, accepting that it is subject to change as new information emerges that can and will, change the assumptions inherent in the plan.
55. In 2024-25, the Commissioner will allocate approximately 97.3% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
56. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
- a. That the council tax base grows at 1.2% for financial years 2025-26, 2026-27 and 2027-28 respectively.
 - b. All existing council tax related grants continue up to and including 2027-28.

- c. Core Government funding increases by 7.10% in 2024-25 and 1.5% in 2025-26. The uplift grant has been increased from £4.1m in 2023-24 to £6.5m in 2025-26 to support the growth in officer numbers.
- d. The precept increases by £13.00 per Band D equivalent property for 2024-25 and by £13 each year thereafter in line with the prevailing national view, and modelling assumptions in each of the other East Midlands region Force areas. It should be noted that no decision on future years precept has yet been taken.
- e. Pay awards for officers and staff are included at 2.5% for 2024-25, and each year thereafter. The 2024-25 pay award could be higher than 2.5% but this will not be confirmed until the Autumn. It has been indicated by the Policing Minister that any increase above 2.5% would be met by the Treasury.
- f. Non-pay inflation is included at 2% for certain goods and services for 2024-25 and for each year thereafter. Utility and vehicle fuel inflation is included at significantly higher rates in line with market forecasts. IT contractual inflation is included at actual rates averaging 10%.
- g. At this stage, there are no significant impacts on grant funding incorporated into the MTFP from the Funding Formula Review.
- h. No additional, unfunded responsibilities are given to the Commissioner.
- i. Further borrowing beyond the capital programme is not required.
57. Taking into account the above assumptions, the position is as follows:

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)				
	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Budget Requirement	248.5	260.4	269.7	277.0
Net Funding	243.1	251.1	259.4	267.8
Funding Gap / (Surplus)	5.4	9.3	10.3	9.2
Reductions:				
Efficiency Savings	-5.4			
Revised Funding Gap / (Surplus)	0.0	9.3	10.3	9.2

Efficiency Savings

58. In considering the Government Grant and budget pressures which have materialised in-year, Leicestershire Police has a £5.4 million budget deficit for 2024/2025.
59. The Force would emphasise that Policing in 2024 requires a broad range of skills to be effective. It would be irresponsible to remove or reduce the Force's capabilities in specific areas without understanding the disproportional impacts it would have on operational capability.
60. In that context, the following areas will be explored to close the deficit. None of the below are final and should be treated with sensitivity and caution.
1. £1.2m from reductions to non-salary budgets
 2. £0.5m of efficiencies from regional partnerships

3. £3.7m from pay budgets excluding police officers

61. This therefore presents the challenge to the Force of finding approximately £5.4m in savings in 2024/25 having already found in excess of £3.9m in 2023/24 to balance the books (part of £42m in efficiencies in recent years).

62. As a contingency, the Force will begin to explore the impact of reducing officer numbers after September/October 2024 as the sustainability of 2242 beyond that point may become untenable.

Use of Reserves and Balances

63. In considering the 2024-25 budget, the Commissioner has reviewed all of the reserves held.

64. In March 2023 a Reserves Strategy was agreed which set out the following 'guiding principles' for managing reserves:

- As per the Home Office guiding principles the General fund reserves should be in the range of 2% to 5% of the total net budget (between £4.86m and £12.15m based on the 2024-25 budget).
- The BER can be used to support the budget but there must be a strategy to move reliance away from the reserve over a period of time.
- Other earmarked reserves should only be used for specific time limited projects, to provide financial cover for potential future financial liabilities and for 'invest to save' projects.
- Ongoing reliance should not be placed on reserves to deal with the funding of financial deficits and a clear plan should be in place to move reliance away from one off reserves.
- There should be an annual review of reserves.

65. Three types of Reserve are held and these are explained further below:

a. General Reserve

There is a General Reserve which currently stands at 2.06% based on a NRE of £243.153m. In line with Reserve strategy, which was approved in March 2023, it is the intention that that General Reserve balance will be increased to 2.3% of the net revenue expenditure for 2024-25 and is within the recommended limits referred to paragraph 64. The Reserve Strategy will be reviewed in February and a plan put in place to increase the reserve to 2.3%. It is prudent to have such a reserve to enable the organisation to withstand unexpected events which may have financial implications. There is no further planned use of this reserve during 2024-25 or beyond.

b. Budget Equalisation Reserve (BER)

Over recent years, due to the impact of effective efficiency programmes and through financial prudence, a Budget Equalisation Reserve (BER) has been created. This reserve is currently estimated to be £12.9m at 31st March 2025, decreasing to £7.8m by 31st March 2028. Its purpose when established was twofold:

1. To fund 'invest to save' and other new initiatives and investments.

2. To recognise that some savings would take time to implement and to smooth the impact of these changes

It was agreed in July 2022 that the £7.5m of the BER will be used during the MTFP period to fund ongoing historical investigations of £0.3m, Job Evaluation Pay protection costs of £0.1m and Business Transformation costs of £7m. It is anticipated that £2.1m will be spent in 2024-25.

It is proposed that an additional £1.511m is used to fund investments outlined in paragraph 47. This will reduce the BER to £6.2m at the end of the MTFP period.

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2024 are estimated to total £8.8m (excluding the General Reserve and BER) and those to note are as follows:

OPCC & Commissioning Reserve £1.4m – This contributes towards supporting the cost of the Commissioning Framework. There is no proposed use of this reserve for 2024-25

Civil Claims £1.45m – This reserve holds funds set aside, where considered prudent, for Civil Claims (Public and Employer liability) in line with professional advice. It is proposed that this reserve is increased by £130k for 2024-25 to ensure that there is sufficient level of reserve to mitigate the risk of civil claims. This will result in a balance of £1.57m.

Capital Reserve £0.3m – to support future Capital expenditure. There is no plan use of this reserve.

Proceeds of Economic Crime - £1.4m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas. It is proposed that £0.13m is used during 2024-25 to fund a Volume Fraud Team Administrator and a Drugs & Alcohol Misuse Officer to support the work of the Economic Crime Unit. It is also proposed that a contribution is made from this reserve toward an ANPR Sergeant. This will result in a balance of £1.29m at the 31 March 2025.

Carry Forwards - £0.76m - This reserve includes those sums that the OPCC has approved to carry forward to finance specific expenditure in 2024/25 and beyond. It is estimated that £0.51m of carry forward will be drawn down on 2024-25.

Team Leicestershire Academy - £0.26m – this reserve was created from funds bequeathed to the Force and is to fund Team Leicestershire Academy. It is proposed that £0.17m is used in 2024-25 to fund 5 posts, reducing the balance to £0.09m.

MAPPA - £0.01m - Funds set aside for MAPPA projects and activity. It is proposed that £3k is utilised in 2024-25 as the funds received from partners is less than the planned expenditure.

Equipment Reserve - £1.37m - Funds held for the periodic replacement of personal equipment such as body worn video, taser equipment and personal protective equipment. It is proposed that £0.14m is drawn down in 2024-25 to support the transition from DHL to bringing the uniform back into Force, reducing the balance to £1.23m at 31st March 2025.

66. The following transfers to and from reserves form part of these budget proposals:

<u>Transfers from Reserves</u>	
	£m
<u>Budget Equalisation Reserve</u>	
23/24 Ongoing Investments	-2.029
Job Evaluation - Protection	-0.102
24/25 Investments	-1.511
	<u>-3.642</u>
<u>Other Earmarked Reserves</u>	
Economic Crime (POCA)	-0.130
Carry Forwards	-0.510
Team Leicestershire Academy (Legacy)	-0.169
MAPPA	-0.003
Equipment Reserve (Uniform)	-0.140
	<u>-0.953</u>
	<u>-4.595</u>

<u>Transfers to Reserves</u>	
	£m
<u>Specific Reserves</u>	
Fleet Insurance Claims	0.125
Civil Claims Liability	0.130
	<u>0.255</u>

	£m
Net Transfers to/(from)	
Earmarked Reserves	<u><u>-4.340</u></u>

Office of the Police and Crime Commissioner

67. The amount of funding allocated to the Chief Executive for the OPCC including commissioning equates to 2.7% of the total net budget requirement; the remaining 97.3% is allocated to the Chief Constable. The percentage allocation to the force remains unchanged from 2024-25.
68. Overall the budget for the OPCC has increased by £456k and has increased in line with the total increase in available funding through core grant and precept
69. The total budget for the Office of the Police and Crime Commissioner is £5.3m and is made up of:

	£000
Staffing	1,615
Office running costs	379
Commissioning of external parties	4,017
Commissioning of the force	637
	<u>6,648</u>
Ministry of Justice Grant	<u>(1,279)</u>
Total OPCC budget	<u><u>5,369</u></u>

70. The increase in staffing budget is due to a change of budgeting line. The Office has posts to deliver specific commissioned projects. Last year these posts were included in the Commissioning of External Parties Line, this year they have been moved into the Staffing line to ensure all staffing is visible within the same budget line.
71. The FTE of the office has increased by two due to the permanent appointment of a Director of Strategy, Partnership and Commissioning and a Communications Officer which is offset by grant income. This role was previously in place but was filled by a seconded Police Officer, which did not show in the figures last year.
72. The staffing and running costs of the OPCC represents 30% of the funding allocated to the Chief Executive and 0.8% of the overall available funding.
73. The OPCC budget is built on a model which allows the OPCC to:
1. fulfil it's statutory functions;
 2. hold the Chief Constable to account more effectively;

3. deliver on the Police and Crime Plan objectives;
 4. commission services to support the people of Leicester, Leicestershire and Rutland;
 5. understand better the views and expectations of the public and
 6. communicate more effectively with stakeholders; such as Councillors, Community groups and the wider criminal justice system.
74. The Commissioning Framework for 2024-25 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.654m.
75. The 2024-25 Commissioning budget includes £0.4m for small grants to community organisations which are awarded in line with the Police and Crime Plan priorities.
76. The OPCC commissions the Force to deliver a number of services including Integrated Offender Management, Police Offender Management and contributes towards Multi Agency Risk Assessment Conference (MARAC) posts. The OPCC has agreed to provide a further £400k towards the Force's Prevention and Partnership Strategy.
77. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been confirmed at £1.279m for 2024/25.
78. It is important to note that in addition to the published budget each year, the Commissioner has opportunities to submit bids to funding bodies (normally government departments) for additional, normally in year, funding. It is anticipated that further significant additional funding will be acquired for 2024-25. The OPCC has already secured additional funding of £5.4m for 2023-24, £5.6m for 2024-25 and £0.4m for 2025-26.

Statement of the Chief Constable

79. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2024/25 is as follows:

"It is my responsibility, as described in the Policing Protocol Order 2011, to provide professional advice and recommendations to the PCC in relation to his receipt of all funding, including the government grant and precept and other sources of income related to policing and crime reduction.

Under the terms of the Order, I am responsible for the delivery of efficient and effective policing, the management of resources and expenditure by the Force.

I also give regard to the Police and Crime Plan, actively assist the planning of the Force's budgets, have regard to the Strategic Policing Requirement set by the Home Secretary in respect of national and international policing responsibilities, and have day to day responsibility for financial management of the Force.

I do this within the framework of the Scheme of Consent agreed budget allocation and levels of authorisation agreed with the PCC.

My advice to the PCC is that he should seek a £13.00 increase for Band D properties and its equivalents for other bands.

This should:

- *sustain the investments we have made to uplift officer numbers and strengthen leadership in local policing to support our young-in-service workforce.*
- *continue our drive to improve service and standards as part of the Leicestershire Police Pledge.*

- support our ability to invest in technology to be more effective and efficient in how we deliver the Pledge and the Police and Crime Plan.

This increase would be to sustain and manage existing commitments against growing demand. It is not additionality. If the PCC were not to seek a £13.00 increase for Band D properties (and its equivalents), my advice is that the investments and efforts mentioned above could be undermined in the short- and medium-term.

The external environment and the pay awards in 2022/23 and 2023/24 are central to the Force's budget deficits in 2024/25 and beyond. In 2022/23 Government agreed a pay increase of £1,900 per annum for all police officers and staff. However, Government grant only provided funding for half of the officer increase and none of the staff increase. This created a funding deficit of £4.8 million in 2023/24 rising by £300k year-on-year thereafter.

The pay award in 2023/24 was also not fully funded by the Government. The grant towards the centrally set 7% pay rise only covers 77% of the actual cost for both Police Officers and Staff. This leaves a further shortfall of £2.3 million in 2024/25 and will continue to rise by more than £400k year-on-year over the period of the Medium Term Financial Plan. Therefore, the total shortfall in pay award grant funding is £7.1m in 2024/25 and undermines the medium term sustainability of police officer, PCSO and Staff numbers.

As Chief Constable, it is necessary for me to point out that the Force continues to see: an increase in demand and complexity; additional national requirements linked with accreditation; and the latest census confirmed a 10% growth in population. It is also incumbent on me to point out that, prior to the budgets being set, each Force is required to submit their payroll data to the Home Office to give an accurate view of the costs of running Leicestershire Police. These costs are then aggregated up to national level and allocated back out to Forces through a formula for grant funding.

The challenge Leicestershire Police experiences is that the funding formula results in the Force not receiving enough grant to meet its payroll costs. This applies to 18 of the 43 Forces in England and Wales. Whilst it has been recognised that the funding formula needs to be reviewed, little progress has been made. This means Leicestershire Police has had to disproportionately make savings and reduce capability compared to some other Forces.

Despite this, Leicestershire Police has worked hard to overcome the budget deficit in 2023/24 and found another £3.9 million of cash efficiency savings into 2024/25. It is recognised that there are a number of funding restrictions linked with maintaining officer headcount.

My advice to the PCC is that we sustain officer numbers in 2024/25 in order to maintain and manage our service to local communities in line with the Police and Crime Plan and the Leicestershire Police Pledge. We have modelled maintaining 2,242 police officers in 2024/25. This means the Force continues to receive grant funding linked with maintaining the national 'police uplift' programme and we will seek to pass those benefits on to the people of Leicester, Leicestershire and Rutland, operationally, efficiently and sustainably.

The Force is currently assessed by HMICFRS to be one of the most efficient in the country. Given that 81% of the Force budget is invested in our people, the funding gap means that the Force will have to manage shrinkage into the future. This also means that, in the short term, the cuts and efficiencies will disproportionately fall on Staff roles because officer numbers are ringfenced at this time. Reducing staff is not a sustainable option in the longer term, because many staff are in specialist roles many staff which contribute greatly to the overall performance of the Force.

An increase is therefore necessary and essential. In my opinion, the level of funding allocated does not meet the Force's requirements and further cuts are inevitable. The approval of the full £13.00 Band D precept increase plays a significant role in minimising some, but not all, of the reductions that will be necessary.

The Force will also need to find efficiencies and reductions through a range of measures, implemented carefully, in a manner which protects performance and service. Despite these challenges the Force will continue to focus on good quality service and high standards in delivery of policing.

I remain deeply grateful for the work of the Panel who have invested their time and energy to support the PCC and the Force in their responsibilities. I must reiterate my advice to the PCC that this year's request for a precept increase of £13.00 is not to give additionality to the service the Force gives. Instead, because of an unfair funding formula, in-year cashable savings we have already had to make, and will have to make next year, the maximum precept increase is a necessity to merely sustain a good service and the investments already made."

Robustness of the Budget –Statement of the Commissioner Chief Finance Officer

80. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the Commissioner's Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The Commissioner is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police and Crime Panel. The CFO statement is as follows:

"The budget setting process hasn't been without it challenges. With the current economic backdrop, unfunded pay awards relating to 2022/23 and 2023/24, inflationary increases and increases in resources due to demand pressures, increases in available funding are not sufficient to offset increases in expenditure.

In the sections above, titled "Base Budget Preparation, Approach, and Scrutiny", it outlines the approach taken to setting the budget. During the preparation of the budget, I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model. I have received timely and detailed responses to queries and/or points of clarification. I have agreed with the assumptions being made, and where there were any differences of opinion they were discussed until a consensus was reached.

I have attended a number of Corporate Governance Board meetings as the OPCC Section 151 Officer to provide assurance that these factors have been considered. During the process dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

I have also reviewed the detailed calculations in arriving at the budget requirement, council tax precept and options and find these to be robust. I also have, together with other precepting partners, sought authorisations from billing authorities in relation to tax base and council tax surplus or deficits.

Together with the Commissioner, Chief Executive, the Chief Officer Team, and the OPCC I have reviewed, scrutinised, and challenged the case for operational investment. This has included reviewing the operational and financial risks of the investment and highlighting the impact on the MTFP.

I have confidence that the budget monitoring process will identify any variations of expenditure or income from that budgeted so that early action can be taken and this is regularly reviewed, discussed and scrutinised at the Corporate Governance Board.

The Chief Constable has discussed the revenue, capital, operational and the Police and Crime Plan requirements (Appendix 2) for 2024-25 and future years. Together, we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.

This report details that the budget can be balanced for 2024-25 through the delivery of £5.4m efficiency savings. The Force has identified a number of areas for potential savings and a detailed plan will be worked up in the next few months. In my opinion the efficiency savings plan needs to be looked at in conjunction with the overall transformation project to ensure that the savings are sustainable but minimises the impact on service delivery.

The level of General Reserve, which should be held as a 'contingency of last resort' or to provide funds on a very short-term basis, is held at 2.06% based on the 2024-25 Net Revenue Expenditure. Although this level is within the recommended range, I have recommended to the Commissioner that the balance is increased to 2.3% (which equates to an increase of £591K) in order to have an adequate level of reserve to mitigate the risk from any unforeseen events. The Reserve Strategy will be reviewed in February and a plan put in place to increase the reserve.

This will result in a sufficient level of general reserves available should operational demands require access to these. Earmarked reserves are also in place for specific requirements.

In coming to my conclusion on the robustness of the budget and adequacy of reserves I have also reviewed the separate papers on Capital Strategy (Appendix 3) and Treasury Management (Appendix 4).

Whilst a balanced budget is presented for 2024-25 with the use of an efficiency target, the MTFP shows that in 2025-26 and beyond there are financial deficits. The PCC has asked the Chief Constable to develop plans with a view to creating further efficiencies and to achieve further cashable savings. It is reasonable to assume that the financial and operational challenges will change over the course of the medium term. As such the MTFP contains the best estimates available at this point in time and assumptions contained within the MTFP are reasonable, prudent and will be updated as new information emerges.

I conclude, therefore, that the budget for 2024-25:

1. Has been prepared on a robust and prudent basis.
2. Includes investment into a number of areas as detailed in the report which are all in line with the Commissioner's Police and Crime Plan priorities.
3. Includes an appropriate use of reserves and that the planned level of reserves remaining are adequate and sufficient.
4. Includes an achievable efficiency savings target however, the financial landscape after 2025-26 is challenging and further savings will need to be realised in order to close the budget deficit.

However, it is prudent to be mindful of emerging issues and challenges which will change the assumptions in the medium-term financial plan and therefore, the estimated budget requirements for those years."

Implications

Financial:	The precept proposal, the financial position, uncertainties and timescales.
Legal:	The Commissioner is required to set a precept and this complies with those requirements.

Equality - Impact Assessment:	The budget and proposed precept forms part of the Police and Crime Plan which has a full impact assessment. Furthermore, the additional resources provided support the key priorities of the Police and Crime Plan.
Risks and – Impact:	Risks have been identified within the report.
Link to Police and Crime Plan:	The budget and precept support the delivery of the Police and Crime Plan.

List of Appendices

Appendix 1 Budget and Precept 2024-25 to 2027-28

Appendix 2 Review of the Medium-Term Financial Plan Budget Setting 2024-25 and the operational implications

Appendix 3 Capital Strategy 2024-25

Appendix 4 Treasury Management Strategy 2024-25

Background Papers

Provisional Police Funding Settlement 2024-25 – December 2023

Leicestershire Police and Crime Commissioner Public Consultation

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The Office of the Police and Crime Commissioner for Leicestershire
Budget Requirement and Precept 2024/25 - 2242 Police Officer Establishment

Version Date 18/01/2024

		Precept Increase	4.76%	4.54%	4.34%	4.16%
2023-24		2024/25	2025/26	2026/27	2027/28	
Approved Budget		Revenue Budget	Revenue Budget	Revenue Budget	Revenue Budget	
£		£	£	£	£	
126,328,905	Police Pay & Allowances	141,656,410	148,473,012	151,845,549	155,216,052	
55,654,885	Staff Pay & Allowances	59,704,142	63,616,265	65,687,434	67,711,718	
7,236,558	PCSO Pay & Allowances	7,786,264	8,125,776	8,339,001	8,556,490	
189,220,349		209,146,816	220,215,054	225,871,984	231,484,260	
9,848,533	Regional Collaboration	10,775,177	11,026,239	11,246,764	11,471,699	
3,802,012	Police Pensions	4,109,567	4,232,241	4,357,368	4,484,998	
46,249,878	Non-Pay Expenditure	50,326,126	52,944,656	54,145,493	55,561,083	
3,678,930	Inflation Contingency	4,335,217	851,560	851,560	851,560	
(16,621,399)	Income	(19,323,678)	(19,343,596)	(19,314,755)	(19,568,140)	
46,957,954		50,222,409	49,711,099	51,286,429	52,801,199	
236,178,303	Force Budget Requirement (excl. OPCC)	259,369,225	269,926,153	277,158,414	284,285,459	
1,631,712	OPCC	1,993,904	2,047,739	2,103,028	2,159,810	
4,560,292	Commissioning	4,654,011	4,779,669	4,908,720	5,041,255	
(1,278,828)	Specific Grant - Victims and Witnesses	(1,278,828)	(1,278,828)	(1,278,828)	(1,278,828)	
4,913,177		5,369,087	5,548,580	5,732,920	5,922,237	
241,091,480	Gross Budget Requirement	264,738,312	275,474,733	282,891,334	290,207,696	
(1,902,540)	Home Office Pension Grant	(6,194,804)	(6,194,804)	(6,194,804)	(6,194,804)	
-	Home Office Pension Remedy - One Off Grant	(391,280)	-	-	-	
(4,100,000)	Home Office Uplift Grant	(6,463,666)	(6,560,621)	(6,659,030)	(6,758,915)	
2,239,086	Investment	1,611,188	-	-	-	
-	PCC Contribution towards Force Prevention Strategy	(400,000)	-	-	-	
(3,914,020)	Efficiency Savings	(5,406,871)	-	-	-	
(3,434,848)	Use of reserves for specific projects	(4,339,661)	(1,836,760)	172,832	214,691	
-	General transfer (from)/to reserves	-	-	-	-	
229,979,158	Net Budget Requirement	243,153,218	260,882,549	270,210,332	277,468,669	
-	Surplus / (Funding Gap)	(0)	(9,676,921)	(10,763,365)	(9,587,577)	
-	Transfers into Reserves	-	-	-	-	
229,979,158	Net Revenue Budget	243,153,218	251,205,628	259,446,967	267,881,091	
	Funding					
80,047,619	Police Grant	86,711,986	88,012,666	89,332,856	90,672,849	
47,735,297	Business Rates	48,715,867	49,446,605	50,188,304	50,941,129	
7,020,391	Council Tax Support Grant	7,020,391	7,020,391	7,020,391	7,020,391	
1,910,530	Council Tax Freeze Grant	1,910,530	1,910,530	1,910,530	1,910,530	
293,144	Collection Fund Surplus / (Deficit)	250,000	250,000	250,000	250,000	
92,972,177	Precept	98,544,444	104,565,436	110,744,886	117,086,192	
229,979,158		243,153,218	251,205,628	259,446,967	267,881,091	

Precept by Billing Authority		£	£	£	£
£	Tax Bases	£	£	£	£
9,390,845	Blaby 34,505.83	9,876,611	10,480,064	11,099,399	11,734,956
16,171,485	Charnwood 59,678.60	17,081,818	18,125,504	19,196,658	20,295,868
10,451,454	Harborough 38,921.90	11,140,623	11,821,307	12,519,905	13,236,801
10,771,090	Hinckley & Bosworth 39,788.00	11,388,527	12,084,358	12,798,501	13,531,349
21,597,754	Leicester City 79,801.00	22,841,456	24,237,052	25,669,377	27,139,218
5,382,192	Melton 20,110.57	5,756,252	6,107,955	6,468,914	6,839,327
9,943,940	North West Leicestershire 37,079.00	10,613,130	11,261,584	11,927,104	12,610,056
4,914,510	Oadby & Wigston 18,367.98	5,257,471	5,578,698	5,908,380	6,246,696
4,348,907	Rutland 16,031.00	4,588,556	4,868,914	5,156,649	5,451,922
92,972,177	344,283.88	98,544,444	104,565,436	110,744,886	117,086,192
340,271	Council Tax Base	344,284	349,448	354,690	360,010

Precept by Band		£	£	£	£
£	Apportionment	£	£	£	£
182.1535	Band A 6/9	190.8201	199.4868	208.1535	216.8201
212.5124	Band B 7/9	222.6235	232.7346	242.8457	252.9568
242.8713	Band C 8/9	254.4268	265.9824	277.5380	289.0935
273.2302	Band D 9/9	286.2302	299.2302	312.2302	325.2302
333.9480	Band E 11/9	349.8369	365.7258	381.6147	397.5036
394.6658	Band F 13/9	413.4436	432.2214	450.9992	469.7770
455.3837	Band G 15/9	477.0503	498.7170	520.3837	542.0503
546.4604	Band H 18/9	572.4604	598.4604	624.4604	650.4604

£273.2302	Band D Council Tax	£286.2302	£299.2302	£312.2302	£325.2302
5.81%	% Increase	4.76%	4.54%	4.34%	4.16%
15.00	£ Increase	13.00	13.00	13.00	13.00
28.8p	Increase per week in Pence	25.0p	25.0p	25.0p	25.0p

Summary of Assumptions

	7.10%	4.76%	4.54%	4.34%	4.16%
Changes in Core / Uplift Funding	7.10%	4.76%	4.54%	4.34%	4.16%
Precept increases	4.76%	4.54%	4.34%	4.34%	4.16%
Precept increases £	£ 13.00	£ 13.00	£ 13.00	£ 13.00	£ 13.00
Tax Base increases	1.20%	1.50%	1.50%	1.50%	1.50%
Pay Inflation	2.50%	2.00%	2.00%	2.00%	2.00%
Non-Pay Inflation	5.00%	2.00%	2.00%	2.00%	2.00%
Police Officer FTE	2242	2242	2242	2242	2242
PCSO FTE - (modelled at 200 FTEs with 6% vacancy factor)	188	188	188	188	188
Staff FTE	1202	1202	1202	1202	1202

Budget Equalisation Reserve

	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Balance B/Fwd	12,866,831	8,725,312	6,291,084	6,247,454
Transfers to BER (from General Reserve)				
Other Transfers from BER				
Transfers from BER for specific purposes	(4,141,519)	(2,434,228)	(43,630)	
Balance c/fwd	8,725,312	6,291,084	6,247,454	6,247,454

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**POLICE AND CRIME
COMMISSIONER FOR
LEICESTERSHIRE**

**CORPORATE GOVERNANCE
BOARD**

PAPER MARKED

Report of	Chief Constable
Subject	Review of Medium-Term Financial Plan Budget Setting 2024/2025 and the Operational Implications
Date	17/01/23
Author	Deputy Chief Constable David Sandall

1. Purpose of the Report

- 1.1 To provide the Chief Officer Team and Police and Crime Commissioner Rupert Matthews (PCC) with operational advice to inform review of the budget for 2024/2025.
- 1.2 To reassert the Chief Constable commitment to increase public trust and confidence, deliver good public service and high standards, as we support deliver the Police and Crime Plan and our core role as an emergency service, maintaining the peace and preventing and detecting crime.
- 1.3 To provide a brief outline of the strategic context, the £42 million of efficiencies delivered in recent years and the current budget challenge, created because of nationally imposed decisions and failure to fund them.
- 1.4 To reflect on the budget announcement as well as recapping the principles agreed during early budget setting discussions.
- 1.5 To outline the areas of operational and organisational threat and risk identified through the business planning process.
- 1.6 To provide an explanation of how the maximum precept is required to prevent significant service reduction across Leicester, Leicestershire, and Rutland and maintain good value and efficient police services.
- 1.7 To set out ways we propose to close the £5.4 million budget deficit to achieve an in-year balanced budget and to utilise the reserves to support in-year pressures and investments.

- 1.8 To make recommendations to the Police and Crime Commissioner about how he may support the force's budget process.

2. **Recommendations**

- 2.1 To note the report and consider the operational implications in setting the budget.
- 2.2 To support the force's proposals in principle to close the budget deficit and be financially sustainable within 2024/25.
- 2.3 To agree the use of the Budget Equalisation Reserve (BER) based on business cases to support the operational activity, support the force transformation work through Operation Forefront and manage the identified budget pressures.
- 2.4 The Police and Crime Commissioner to consider opportunities and requests of the force to help address the budget deficit gaps.
 - By supporting and affirming the importance of the maximum precept in 2024/25 to the Police and Crime Panel.
 - In lobbying to ensure the unfunded pay decisions in 2022/23 and 2023/24 at the root of the financial challenge are retrospectively paid.
 - In lobbying to ensure the unfair funding grant shortfalls that detrimentally impact on the communities of Leicester, Leicestershire and Rutland are addressed.
 - By Supporting the focus on crime prevention by investing £400k into a prevention project.

3. **Strategic Context**

- 3.1 The force is navigating through an unprecedented period of change and faces a multifaceted challenge. This is at a time when confidence in policing nationally and locally has declined, whilst public expectation and accessibility to policing is increasing.
- 3.2 Demand has surged in both volume and complexity, with increased reporting of emergency and non-emergency contact, rising numbers entering the Criminal Justice System, and significantly more work placed on our staff to process the demand to the required national standards.
- 3.3 We are working hard to understand our demand, however our understanding of this remains reliant on manual extraction and interpretation of the data. In addition, our data collection is substantial and places pressures on our IT infrastructure, prompting a digital and technology enhancement program to optimize AI, data analysis and storage. Previous discussions have recognised the force will require investment and innovation to deliver a real time impact and enhance our ability for forward projection with the aid of technology.

- 3.4 As predicted there remains a high level of workforce churn caused by the 2009-2017 budget cuts and recruitment profile. We identified the risk of the change in recruitment profile in advance and successfully implemented the acclaimed training academy. Leicestershire Police have achieved the national recruitment requirements and have managed to recruit 847 new Officers, whilst 550 Officers have retired or left the organisation. This is resulting in the organisation losing highly trained staff with significant leadership experience, and younger more inexperienced staff having to step up into new and more senior positions or undertaking specific specialisms far earlier than traditionally experienced in their policing career.
- 3.5 Furthermore, the post-COVID-19 workforce landscape has seen external sectors witnessing significant shifts in salary and benefits, with a growing desire for flexibility in work location and hours. This trend is particularly pronounced in the IT and Contact Management departments. Moreover, the police workforce displays signs of fatigue and stress due to demand, repeated exposure to traumatic incidents, necessitating improvements in the occupational health department, including enhanced access routes, timely support, specialist counselling, long-term assistance, and proactive stress prevention measures.
- 3.6 In addition, Local Authority partners are grappling with significant funding challenges into the future. This will potentially reduce their core functions, which could if not addressed lead to a withdrawal of meaningful partnership activity and a misalignment of policies.
- 3.7 Rapidly shifting community dynamics, localised political instability, significant new arrivals from overseas, international and political influences, social media misinformation, and activist involvement have led to persistent community tensions and unrest. We are experiencing increasing protest activity, more community events often linked to religion and a culture of focus and expectation being placed on the police and other services, which all must be formally assessed and resourced, regularly drawing experienced officers away from core roles and functions.
- 3.8 Transformation is set within this strategic context and is complex due to several competing and interdependent challenges. In particular, the National budget decisions are impacting on police and partners, specifically resulting in-year and future budget deficit. This is at a time of increased demand and complexity, which requires cashable efficiencies to balance the finances across MTFP, whilst also investment to be made to be able to deliver good public service and high standards, and to retain progress with digitally and technological development.
- 3.9 Within this strategic context we should consider that in March 2022 Leicestershire Police had been identified as leading force nationally by HMIC and had a sustainable budget for the entire period of the MTFP, without use of reserves. This was the healthiest position the force had been in for a decade. Since that time, significant events outside of the force's control have shifted that position.

3.10 An unfunded in-year pay award of £1900 in 2022/2023 and a further only part funded 7% pay award in 2023/2024 is at the root of a significant budget deficit in 2024/2025. This has led to a £4.8 million pay deficit having to be overcome since 2022/23, a further £2.3 million budget pay deficit for 2024/25, and on-going year-on-year additional £700k unbudgeted pay inflation increase from these nationally imposed, but unfunded pay rises.

4. **Significant savings and efficiency already achieved.**

4.1 It is important to recognise that in approaching the 2024/2025 in-year budget gap that over £42 million-worth of savings have been taken out of Leicestershire Police since 2011, and the use of our reserves to maintain operational capability have always been carefully considered.

4.2 In a context whereby policing demand and complexity, the local population and public expectation has risen significantly, with the ratio of officers to members of the public going from 1 officer to 430 in 2009, to providing 1 Officer to 493 people today. The number of Police Officers today is still below that of 2009, where we had 2344 Police Officers and 1253 Police Staff, compared to 2242 Police Officers and 1202 Police Staff today.

4.3 Nationally it is reported that policing has more officers than ever before. That is not the case here in Leicestershire, and since 2010 we have had to respond to new and emerging threats, apply new legislation, develop our specialisms and through careful management place officers from the existing workforce into these new areas. This includes into Counter Terrorism, Child Sexual Exploitation and Abuse, Modern Slavery and in managing ever increasing numbers of high harm offenders, of which most demand has been created from our own success in convicting sex offenders and on-line child related criminal offences. We have also seen far higher calls for service, in particular 999 emergency demand, greater public expectation and unprecedented demands from protest activity both locally, and in supporting the national response. This has required us to invest in equipping and upskilling officers to undertake duties and responsibilities in addition to their core role.

4.4 The net effect being to meet these new demands Police Officers and Police Staff have had to come from within the establishment, and that has meant fewer people in other roles or greater abstraction from their core role.

4.5 Leicestershire Police has always been viewed positively regarding financial management, change and transformation by External Audit and HMICFRS, who recognise that Leicestershire has one of the leanest back office support services in UK policing (Value for money dashboards - His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (justiceinspectors.gov.uk))

4.6 Between 2010 – 2015, budget reductions meant the force looked for savings and efficiencies to balance budgets. All departments were reviewed for

quick-win opportunities. Savings were found through reducing waste and stopping non-core activities to focus on core activities.

- 4.7 In 2013/2014, the quick-win options had been taken. The opportunity to adopt a 'cheaper' policing model arose with a centralisation model developed by West Midlands Police and implemented with KPMG, saving £10 million, but significantly reducing police officer numbers and the quality of service.
- 4.8 In 2015/2016, the force introduced zero-based budgeting and a star chamber approach to finding savings options. Each back-office police staff area had to propose options to reduce costs. 90% of these related to staff reductions. This reduced staff numbers in nearly all back-office areas and saved about £1 million. There was an impact on services and support to frontline policing.
- 4.9 In 2018, Operation Darwin responded to Operation Edison's inability (KPMG's centralised model) to meet the increasing demands on policing, by re-modelling available resources and placing an emphasis on greater geographic accountability. There was no additional resources and no savings, but it began to focus on public confidence and service.
- 4.10 From 2020, we introduced Policing in Neighbourhoods, based on moving resources to the frontline and being even more local. We reintroduced a general duty officer approach with a modern update to include current and future policing needs. There was an increase in officers from uplift and precept growth, and we successfully delivered all services through the Covid pandemic.
- 4.11 In March 2022 Leicestershire Police had been identified as leading force nationally by HMIC and had a sustainable budget for the entire period of the MTFP, without use of reserves. This was the healthiest position the force had been in for a decade and decisions outside the control of the force have significantly changed that position.

5. **National unfunded budget decisions with local impact**

- 5.1 The pay awards in 2022/2023 and 2023/2024 are at the root of the budget deficit. The force had modelled a 2% pay increase in line with other forces, but Central government awarded a pay agreement to all officers and staff of £1,900 each.
- 5.2 Half of the pay agreement for officers was covered by the central government grant. None of the police staff pay agreement was covered. This created a budget challenge in 2022/2023 and a pay award funding deficit of £4.8 million in 2023/2024. This will continue to rise by more than £300k year-on-year over the period of the MTFP.
- 5.3 The pay award then made in 2023/24 was also not fully funded by the Government. The grant towards the centrally set 7% pay rise only covers 77% of the actual cost for both Police Officer and Police Staff. This leaves a

shortfall of another £2.3 million in 2024/25. This will continue to rise by more than £400k year-on-year over the period of the MTFP.

- 5.4 There is therefore in addition to the in-year impact a further £700k unbudgeted year-on-year pay inflation increase arising from the September 2022 and September 2023 pay awards.
- 5.5 Leicestershire Police has overcome the budget deficit in 2022/23 and found another £3.9 million of sustainable cash efficiency savings in 2023/24. As the force is assessed as one of the leanest in the country and 81% of the force budget is invested in our people the budget gap has meant that the force has had to shrink again, with an anticipated but mitigated impact on service delivery.
- 5.6 In 2023/2024 despite the financial challenge in-year created from the unfunded pay awards Leicestershire Police still embarked on an ambitious transformation program that has strengthened local leadership, enhanced our investigative approach, and focused on delivering a good service with high standards, whilst being fully integrated with the efficiency program.
- 5.7 The following are an example of tangible in-year innovations delivering efficiencies that has supported the efficiency savings be achieved and the workforce reduction in 2023/24:
 - A new Domestic Abuse Referral Team (DART) process is allowing 15 Police Officers to do the work of 21 Police Officers based on new vs old process and procedure. This is equivalent to over 10,000 hours of efficiencies for a full year. It is Estimated the saving will be greater next year as new procedures are embedded and is providing 90%+ victim satisfaction.
 - A Digital Solution was implemented to address the significant demand and prevent a backlog escalating. This has reduced travel time for 'Claire's Law' service requests through use of video calls, estimated to be 300 hours this year and over 600 hours of efficiency next year.
 - Following a review of digital opportunities video verifications for missing persons has been introduced as a trial. Initial estimations are that it will save over 200 hours of Police Officer time this year, and 800 hours next year.
 - Microsoft 365 tools created by our IT DOIT team are saving an estimated 1000+ hours of officer time each year. As more applications are developed and deployed this will increase.
- 5.8 As the process to track and monitor benefits realisation become embedded, the change team will be able to evidence and track the realisation of more than the 12,400 hours of annual efficiencies identified above, which will continue to be developed into 2024/25 through our transformation programme, Operation Forefront.

- 5.9 The challenge is that within the strategic context and the budget challenge the operational delivery and service is paramount, and any further reductions will have a direct impact on our services across Leicester, Leicestershire and Rutland and will affect local Trust and Confidence.
- 5.10 The budget announcement in December 2023 has again underfunded Leicestershire Police. All forces submit detailed budgetary information, but Leicestershire Police is one of 18 of the 43 police forces that is detrimentally impacted upon through being awarded a lower grant. This creates a further budget deficit, when 25 other forces, including those nearby are paid more than their wage costs and are in receipt of a higher grant. These funding arrangements then have an ongoing future year impact and are unfair.
6. **Principles used in the planning process.**
- 6.1 On 11th and 20th December 2023, the Police and Crime Commissioner and the Chief Constable met with respective team representatives to discuss and agree the timetable and the initial budget-planning assumptions based on a draft MTFP prior to and following the Home Office one year funding decisions being published.
- 6.2 Operational need continues to be at the forefront of the budget-setting process, and despite a budget shortfall, the force remains committed to delivering the Police and Crime Plan through our 'Policing Pledge' and the providing the best possible service and high standards to the people of Leicester, Leicestershire and Rutland.
- 6.3 It is fundamental in any budget decisions that Leicestershire Police can remain operationally viable, address threat and risks, continue to fulfil its statutory required functions, and have the necessary specialist support to deliver policing services.
- 6.4 Whilst we would want to ensure all plans are as sustainable as possible over the entire period of the MTFP, this year, due to the lack of central funding for centrally imposed pay inflation and events outside of our control, we cannot make this assurance with absolute confidence.
- 6.5 We will however ensure that we meet the legal requirement to deliver a balanced budget for 2024/2025 and set out our approach for closing the gap and, where possible, outline the implications of doing so.
- 6.6 There is a need to use reserves, in our opinion. However, careful consideration is being applied to ensure the sustainability of those reserves in future, as was demonstrated in 2023/2024 where the use of reserves was planned, but through prudent and efficient financial management the £3.9 million budget deficit and in-year pressures were overcome without utilising reserves. This paper recognises the limits of our reserves and that use of them will be for a time-limited period.

- 6.7 In considering and learning from previous change programmes there is a need to apply a balanced approach to efficiencies. We will consider the national formula that was introduced during uplift and use this as a guide to ensure that, as the size of the force contracts to meet budgetary requirements, so does the size of infrastructure and equipment aligned to it.
- 6.8 It is also important to recognise the focus should also be on non-cashable efficiencies that are needed to support the transformation and address the impact of the reduced workforce size required to meet the budget deficit.
- 6.9 The following financial planning details were agreed in principle by the Police and Crime Commissioner and the Chief Constable, and are used to inform the budget build for 2024/25:
- *Plan for total budget.*
 - *Maintain Police officers at 2,242 Full Time Equivalent (FTE) / 2298 headcount to meet nationally imposed PUP uplift requirements and prevent financial penalties.*
 - *Budget built on 200 PCSOs and 1202 Police Staff subject to future review.*
 - *Full year effect of September 2023 pay award at 7%.*
 - *Provision for 2.5% pay award from 1 September 2024 for Officers, PCSOs and Staff (reference Policing Minister - meeting on 14 December on Provisional Police Funding Settlement).*
 - *Targeted non-pay inflation increases ranging from 0 to 10+% where known;*
 - *Job evaluation costs of £0.2m for implementation from 1 September 2024.*
 - *EMSOU increase of £1m.*
 - *Police overtime at £4m (including request to increase by £0.3m growth).*
 - *Savings of £3.9m identified during 2023/24.*
 - *Police Pension Contribution increase of £4m funded by Home Office grant.*
 - *Inclusion of £1.5m one off investments for 2024/25 only (CMD £1.2m, external training £170k, HR Gateway system £130k), and ongoing costs of Prevention Directorate Lead £100k.*
 - *Inclusion of the revenue consequences of the Capital Programme for 2024/25.*
 - *OPCC pay and non-pay inflation included. Budget maintained at 2.7% of core funding and PCC to invest £400K into police prevention projects.*
 - *Grant funding based on Home Office Provisional Settlement (ASB / Hotspot funding grant of £1.5m and related expenditure currently not included in the budget).*
 - *Band D precept increase of £13.*
 - *Tax base increase of 1.2% (until confirmed).*
 - *Collection Fund surplus of £0.25m (until confirmed);*
 - *General Reserve at £5m.*
 - *Use of £1.5m from the Budget Equalisation Reserve (BER) with required business cases.*
 - *Ensure the budget plan can achieve an in-year balanced budget in 2024/25.*

7. Operational and organisational threat and risk

- 7.1 It is important for the Chief Constable to highlight the implications of the budget and place them in the context of current operational demand, threat and risk in Leicestershire.

- 7.2 The Chief Constable will retain the commitment to deliver the Leicestershire 'Policing Pledge' and deliver good public service and high standards, as we support the delivery of the Police and Crime Plan and deliver our core role as an emergency service, protecting our communities by maintaining the peace and preventing and detecting crime.
- 7.3 We have to consider the operating environment that policing services are being delivered. The population has grown by over 100,000, Leicestershire has a higher male population and a significantly lower female population. Rural villages are expanding and housing developments across Leicester, Leicestershire and Rutland are creating increased demand. Leicestershire is recorded as having the 4th highest level and an outlier for foreign born residents, has higher levels of household deprivation and lower level of apprenticeships available when compared nationally.
- 7.4 Academically these factors are relevant to crime rates, resourcing and impact on local demand. Leicestershire Police has experienced an increase and consistent increase throughout the year of emergency 999 calls that has built further upon the recorded rises in recent years. It is testament to the professionalism and approach of our Police Staff that we have managed to answer the majority of 999 calls within 10 seconds, as illustrated in December 2023 recording 94.33% of all emergency calls being answered within 10 seconds. The demand despite channel shift and working with partners to ensure the right person, right care process is applied has not abated the increasing emergency demand. This is not sustainable and will need investment and transformation as it also places strain on our non-emergency contact, an area that requires additional investment to build trust and confidence with local communities.
- 7.5 Leicestershire is recognised as being one of the most diverse areas in the country. We are proud of this, but it brings a high level of expectation and complexity not experienced in all force areas. The demand from international, national, and local events, incidents and community tension has remained significant since the serious disorder seen in September 2022. There is an ever-increasing integration between communities, faith, identity, and politics creating demand on policing services. We anticipate the level of engagement necessary to sustain and maintain good order will far exceed what we have experienced in recent years.
- 7.6 The demand on specialist public order and safety officers has never been so consistently high. Events and protest activity have required and continue to do so, a far higher policing commitment, taking officers and staff from their core role. To put this into context from the 7th of October-1st December 2023 there were 31 different public order assessments completed to support our neighbourhood policing teams, with numerous operational orders and public order operations put in place locally. These are in addition to our neighbourhood team's engagement in local events. Over 146 duty days in this short period have also been provided to support national mutual aid requirements.

- 7.7 The hotspot policing focus is within high harm areas often linked with deprivation and we see the correlation between school attendance and accessing the Criminal Justice System. We are arresting more people than in recent years and of the total arrested, 24% are foreign nationals and 46% have a mental health need, increasing the resources and time to manage and process, and increasing our interpreter and medical provision costs.
- 7.8 The Criminal Justice System remains under significant strain and unable to process the demand effectively, with the implications of COVID still in place and victims detrimentally impacted upon through long delays exasperated by the Crown Prosecution Service (CPS) processes, court back logs and prison capacity. The national direction is to reduce the short-term prison sentences which will mean more criminals, especially acquisitive crime offenders being managed within the community. This will necessitate a fresh impetus and innovation in prevention activity, offender management and out of court disposals to reduce re/offending rates.
- 7.9 Policing continues to become more complex with the rapidly changing nature of crime, sharp rises in high-harm crimes, cross-border criminality and the interconnected nature of physical and digital evidence that needs to be captured and interpreted. There is also improved confidence and easier ways to report complex high harm crimes like rape, child exploitation and abuse, domestic violence, stalking and harassment. They all require significant investment as part of the violence against women and girls' strategy (VAWG) and 'Operation Soteria' initiative (Home Office supported approach to rape investigation).
- 7.10 Leicestershire Police over recent years has developed an integrated and connected workforce that is made up of Volunteers, Police Staff, PCSO's and Police Officers. Combined they make "Team Leicestershire" and each component of the workforce enables the force to deliver it's vision to be a leading force nationally. It is vital that the force retains the workforce balance to ensure it can maintain the specialisms, discharge the statutory functions and deliver a good efficient service with high standards.
- 7.11 Local communities benefit from 'Team Leicestershire's' workforce mix, but with recent establishment cuts impacting and the employment environment having changed since COVID with pay inflation and working locations/entitlements it is making it more challenging to recruit and retain specialist staff, especially in IT and digital development.
- 7.12 Our staff consistently go above and beyond. We have been successful in engaging our teams to ensure the transformation makes positive change, but there is a risk that the continued reduction in resources is not sustainable. Leicestershire Police cannot in isolation reduce its workforce further, deliver a good service and high standards without further transformation, investment and by retaining the right workforce mix. Especially when £42 million has already been delivered in efficiencies and demand, complexity and expectation are increasing.

- 7.13 The most recent Force Management Statement identified a consistency in the strategic themes identified previously: workforce development, digital capability, financial sustainability, the growing population and demands of Leicester, Leicestershire and Rutland, and the status of collaborations locally, nationally and regionally.
- 7.14 This reflects the need to develop and lead our new-in-service workforce, maintain momentum in our technology and digital capacity, sustain budgets, respond to the increasing emergency demand, and deal with the consequences of changes to collaborations or financial pressures in Criminal Justice, EMSOU, Local Authorities and many others.
- 7.15 It is worth noting that many Police Staff have an integral role in managing these strategic risks as they have specific skills and specialisms not held within our PCSO and Police Officer establishment.

8. **Areas requiring investment.**

- 8.1 Leicestershire Police and the environment we operate in does not stand still and investments are required to be made to ensure the force can remain operationally viable and have the infrastructure to remain viable in the future.
- 8.2 The pace of technology and in particular an explosion of data has placed pressure on the force digital capability. This has required us to accelerate plans to remodel the Information Technology department and introduce new skills and digital capabilities. The impact of the technological demands are evident in terms of business processes and systems, as well as operationally, with evidence gathering involving a digital element in the majority of investigations.
- 8.3 Having considered operational and organisational needs, along with the continued delivery of the Police and Crime Plan, below are areas which will require continued or additional investment during 2024/2025.
- Digital forensics and achieving accreditation status across a multitude of forensics processes. This is to receive and examine electronic devices at increased volumes to a service-level standard, achieve ISO accreditation for the Digital hub, Sexual Referral Centre, Forensic Collision Unit, CCTV recovery and traditional forensics.
 - IT restructure: New skills and capability to progress the use of Cloud and machine-learning or Artificial Intelligence technology. This is to manage demand and complexity.
 - Delivery of the estate's strategy, in particular the Contact Centre now and for the future.
 - Deliver the Hay Police Staff pay framework.

- Enhancing our resources in the Contact Centre whilst transformation work is undertaken. We have seen how excess demand impacts on service delivery and the current higher investment has improved performance to the public. This needs to be sustained and directly links to increasing public trust and confidence.
 - Prevention is a core role for our service and requires sustainable investment to help reduce future demand.
 - The workforce churn and the loss of experience and specialist skills requires additional investment in training and leadership to ensure the force can remain compliant with Authorised Professional Practice, Health and Safety and other legislation.
 - With £42 million of efficiencies delivered in recent years further reductions in the workforce may engage redundancy processes.
- 8.4 In summary, we have much to do to sustain and strengthen the police service in Leicester, Leicestershire and Rutland.

9. **Precept**

- 9.1. I have set out the context in which this budget sits. We are experiencing greater demand, higher need for investments in technology and specialisms, but with a real-terms cut in budget and a reducing workforce.
- 9.2. The proposed budget, even when supported by the maximum increase in precept funding from local taxation of £13, will still fall far short of what is necessary to maintain the current levels of resources.
- 9.3. The Force would advocate the PCC seek to approve the full £13 precept. Given the realities of the budget the £13 precept plays a significant role in enabling the Force to sustain many of its critical functions. Unlike many previous years when precept was considered against growth and additionality. Now the reality is that precept plays a role in reducing the level of cuts that are necessary to balance the finances. If precept was agreed below the £13 it would need to be accepted that the budget deficit would be even greater than we are currently facing. In reality that would mean a further and additional significant reduction to staff which would reduce the Force's ability to deliver core functions linked with call handling, Criminal Justice case work, scenes of crime, digital forensics and other core requirements essential to deliver frontline policing across Leicester, Leicestershire and Rutland. The Force already has one of the leanest back offices in the country.
- 9.4. Using precept the Force will consolidate the uplift in police officers recruited and secure the investments made to strengthen supervision, leadership and visibility in local policing. This has meant stronger senior leadership in the city and in two counties. The Force will also continue to focus on the delivery

of all elements of the Police and Crime Plan, drive up public confidence, and deliver the Leicestershire Police pledge.

- 9.5. Using precept, the Force will be able to protect the investment in those service areas we know are important to local communities and those outlined in the Police and Crime Plan. For example, it would enable us to maintain our focus on rural crime with the rural crime team, sustain the new Community Cohesion team, whilst strengthening the operating model to provide better and stronger local neighbourhood policing.
- 8.5 The precept will continue to enhance our work with the business community, in line with the Police and Crime Plan requirements. We will also, in partnership with the OPCC embed the new Prevention Directorate and develop and optimise new diversionary programmes to prevent crime, provided tailored and targeted support and intervention to both those victims and offenders who display additional risk of becoming a victim again or further offending.
- 8.6 Precept will also allow us to continue to move forward at pace to deliver the next phase of transformation linked with IT and digital restructuring to enable greater use of AI and automation to create both cashable and non-cashable efficiencies,
- 8.7 Without the £13 precept, it is the Force's view that much of what is described in the paragraphs above would have to be paused, weakened or withdrawn. The investments we have made in people in local policing, technology and prevention are designed to improve service, reduce extraneous demand, and find savings and efficiencies in the medium-term. All contribute directly to the Force's effectiveness, efficiency and legitimacy, and the precept is essential to maintain levels of service and enable the Force to keep pace with the ever developing criminal landscape. Without it the providing a good level of policing service for the people of LLR would be virtually impossible.
- 9.6. Working within the budget setting principles, the force will seek to reduce the budget gap in 2024/2025 through the following approach.

10. **2024/2025 Budget Deficit Plan**

- 10.1 In considering the Government Grant and budget pressures which have materialised in-year, Leicestershire Police has a £5.4 million budget deficit for 2024/2025 (see full budget report and medium-term financial plan).
- 10.2 A balanced budget to close the budget gap in 2024/25 will be delivered in-year through the following:
- 10.3 Operation Forefront transformation will continue to focus on improving our service through transformation. This will include measuring the business benefits to capture the non-cashable efficiencies. The non-cashable efficiencies will enable the force within the complex environment to manage increasing demand and are directly integrated into the cashable efficiencies

and reduction in the size of the workforce, that is required to meet the budget deficit.

- 10.4 In considering the challenge below it is anticipated that the force will through transformation and innovation need to identify around 165,000 hours of non-cashable efficiencies to manage the reduction in the overall workforce.
- 10.5 £900k of Cashable Efficiencies will be identified and realised from within the base budget. This will involve a targeted approach to problem solve, transform and prioritisation of specific elements to reduce the costs. We recognise that the greater the efficiency saving identified, will mitigate the reduction in the workforce.
- 10.6 'Team Leicestershire' combines a workforce of Police Officers, PCSO's Police staff and Police Volunteers and the balance of this workforce mix is vitally important to enable the delivery of the Police and Crime Plan and our core role as an emergency service, maintaining the peace, preventing and detecting crime.
- 10.7 The Police Officer numbers of a 2298 Headcount have to be retained; otherwise nationally imposed financial penalties are incurred. Transformation will be required to enable the overall workforce to reduce to meet the budget deficit requirements. This will include deploying Police Officers into roles that fit earlier into the demand flow within the control room and crime related functions, enabling the redesign of the establishment to create efficiency savings. This will enable a value to be added through policing powers, in developing Police Officer skills or using technology.
- 10.8 The Police Officer recruitment profile will also be managed to achieve the establishment requirements whilst also delivering an in-year saving.
- 10.9 The Chief Constable and the Police and Crime Commissioner recognise the real value our PCSO provide as part of "Team Leicestershire". We are aware other police forces have removed PCSOs from their workforce. Leicestershire Police, whilst recognising the establishment may need to reduce due to the budget deficit caused from the lack of government funding, will seek to minimise reductions. This will be achieved through a review of the role and posting deployments, through exploring a broader transformation to modernise the role and develop it further to enable the role to continue to be visible and locally based.
- 10.10 Police Staff are a vital component of Leicestershire Police, delivering services, enabling the operational delivery and have many specialist skills and statutory functions that Police Officers cannot deliver.
- 10.11 To deliver the budget deficit requirements further transformation in-year is required to identify cashable savings and removal posts.
- 10.12 We can expect a service delivery impact because £42 million of efficiencies has already realised in recent years against rising demand and complexity.

Transformation work continue to address this challenge and reduce and mitigate impact where possible.

- 10.13 In addition, to meet the budget deficit whilst the transformation work is undertaken it will require the force to maintain the enhanced current vacancy rate for PCSOs, manage a vacancy rate across police staff at a higher rate than the 6% within the budget build and review working hours to reduce costs. Those departments facing highest demand and risk in accordance with the Force Management Statement (the Force's internal assessment of demand, capability and business risk) are likely to be prioritised for recruitment against other areas of the organisation.
- 10.14 The transformation approach in-year will enable the recruitment profile to be managed, identify further posts for removal, and support a higher vacancy rates in some staffing areas to deliver a further cashable savings.
- 10.15 As the Force enters the 2024 transformation programme it may be necessary for the Force to access any funding not used during 2023 in order to facilitate any redundancies, if necessary. The Force will provide individual business cases for discussion at CGB to ensure transparency. If it requires urgent decision the Chief Constable will request an extraordinary CGB be arranged given the CGB is now bi-monthly.
- 10.16 EMSOU will be requested to deliver a 5% cashable efficiency saving.
- 10.17 £1.5 million to be used to cover the in-year pressures and support the service delivery in the control room, enhanced training costs and support the introduction of a prevention directorate.
- 10.18 £400k of investment will be provided from the PCC into Prevention projects.
- 10.19 £200k in-year saving by implementing the Hay Job Evaluation scheme in September rather than July 2023.
- 10.20 The budget deficit can be achieved but we also need to retain the operational capability and capacity to deliver our core policing services. In isolation and without effective transformation it is not efficient to routinely replace staff and PCSO with Police Officers, who per person cost more to the public. We recognise the public expect Police Officers to be delivering police work to the benefit of all the communities across Leicester, Leicestershire and Rutland.

11. In Summary

- 11.1. The budget deficit in 2024/25 is challenging and adds increased pressure on the force when added to the budget deficit that was met in 2023/24.
- 11.2. Given the extent of the cuts being imposed, the force will routinely give progress updates at CGB towards the in-year savings and efficiency requirement.

- 11.3. In recent years £42 million pounds has already been taken out of the force budget. This has occurred when demand, complexity and public expectation continue to increase. During that period, the national funding formula for policing has not been updated. The Force believes this has negatively impacted on Leicestershire year-after-year and urgently needs reviewing.
- 11.4. The Force would emphasise that Policing in 2024 requires a broad range of skills to be effective. It would be irresponsible to remove or reduce the force's capabilities in specific areas without understanding the disproportional impacts it would have on operational capability.
- 11.5. In that context, the following areas will be explored to close the deficit. None of the below are final and should be treated with sensitivity and caution.
1. £1.2M from reductions to non-salary budgets
 2. £0.5M of efficiencies from regional partnerships
 3. £3.7M from pay budgets excluding police officers
- 11.6. This therefore presents the challenge to the Force of finding approximately £5.4M in savings in 2024/25 having already found in excess of £3.9M in 2023/24 to balance the books (part of £42M in efficiencies in recent years).
- 11.7. As a contingency, the Force will begin to explore the impact of reducing officer numbers after September/October 2024 as the sustainability of 2242 beyond that point may become untenable.

12. **Support from the Police and Crime and Commissioner**

- 12.1 The Police and Crime Panel's support for a maximum precept rise is essential for the force to prevent significant reductions and to try and sustain its level of service and to deliver against the plan outlined in this report. In my opinion, the Commissioner's influence and full support for this outcome is vital. It should be noted that the initial national indications were that this would be £15 maximum, but the announcement has said £13 which has is 700k less funding than could have been available.
- 12.2 I would request that the Commissioner to consider further lobbying efforts to address the pay award funding shortfall for 2022/2023 and 2023/24 by re-engaging with the Home Office to have this unfunded award addressed, as it is at the root of the current financial issues.
- 12.3 I would request that the Commissioner take a high profile and leading role in highlighting the current inadequate funding arrangements that detrimentally impact on the residents of Leicester, Leicestershire and Rutland.

- 12.4 Leicestershire Police provide full details of our salaries to the Home Office yet only receive 90% of these costs in return. The Home office allocate the grant based on the outdated funding formula, whereby 25 of the 43 police forces receive more than their salary costs. Therefore, Leicestershire Police receives a deficit and other forces are paid in excess of their salary costs. This creates inequality across forces and these policy decisions create an additional funding gap, which impact directly on services for the residents of Leicester, Leicestershire, and Rutland. As the Police and Crime Commissioner we would strongly encourage you make this a priority to secure funding from the Home Office to address this funding deficiency and seek the shortfall to be addressed.
- 12.5 I would request the Police and Crime Commissioner continues to support the Home Office cover pension shortfalls and request a multiyear budget settlement that enables a better approach to financial management.

Implications

Financial : Included in report but please see full CGB Budget papers.

Legal : Employment rights, Health and Safety, Budget Management, Policing Protocol

Equality Impact Assessment : To be considered on implementation of plans

Risks and Impact : Included

Link to Police and Crime Plan : Included

Communications : To be completed post agreement

List of Appendices

None

Person to Contact:

Deputy Chief Constable David Sandall at Leicestershire Police

Assistant Chief Officer Paul Dawkins at Leicestershire Police

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CAPITAL STRATEGY 2024/25

Introduction

This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of policing services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Policing Body for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Police and Crime Commissioner (PCC) spends money on assets, such as property, IT or vehicles that will be used for more than one year.

In 2024/25, the Force is proposing capital expenditure of £6.7m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Estates	1.1	1.7	1.1	0.2	0.2
IT	2.4	7.0	3.1	1.9	2.4
Fleet	3.4	1.5	1.7	1.3	1.3
Operational Equipment	0.1	0.1			
Corporate Projects	-	0.3	1.2		
TOTAL	7.0	10.6	7.1	3.4	3.9

The capital projects included in the expenditure above are detailed later in this report on page 6.

Governance: The Estates, IT and Transport Departmental Heads in conjunction with the business, bid annually during November for projects to be included in the Force's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully funded from other resources). The proposed capital programme has been reviewed by Chief Officers and the PCC's office. The final capital programme is then presented to the Corporate Governance Board in January for approval.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the PCC's own resources (revenue, reserves and capital receipts)

or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
External sources	0.2	0.7	0.5	0.3	
Own resources	3.6	0.5	0.1	0.1	0.1
Debt	3.2	9.4	6.5	3.0	3.8
TOTAL	7.0	10.6	7.1	3.4	3.9

Where the commissioner finances capital expenditure through borrowing (debt) resources must be set aside to repay that debt from the revenue account. The amount charged to revenue account for the repayment of borrowing is known as the Minimum Revenue Provision (MRP). Planned MRP is as follows:

Table 3: Replacement of debt finance in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Minimum Revenue Provision (MRP)	3.5	3.5	5.2	6.0	5.8

The Statutory Guidance issued by the DCLG sets out the 4 options for calculating the MRP. The recommended MRP policy is:

- For capital expenditure incurred before the 1st April 2008 (which was supported capital expenditure) the policy will be based on 4% of the Capital Financing requirement.
- From the 1st April 2008 for all unsupported borrowing the MRP policy will be the Asset Life Method (Equal instalment approach) – the MRP will be based on the estimated life of the assets.

The Commissioner's policy is to finance shorter life assets from capital receipts, grants and revenue contributions. Borrowing reserved generally for Land and Buildings with an expected life of 25 years and IT projects that cannot be financed from the PCC's own resources.

The PCC's cumulative outstanding 'debt finance' is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £1.4m during 2024/25. Based on the figures above for expenditure and financing, the PCC's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
TOTAL CFR	33.6	39.5	40.8	38.1	36.1

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. No capital receipts are expected to be received during 2024/25.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the PCC's / Force's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The PCC is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the PCC currently has £14.57m borrowing at an average interest rate of 4.46% and £11.0m treasury investments at an average rate of 5.3% (as at 31st December 2024)

Borrowing strategy: The PCC's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the PCC therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The PCC does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loan Board.

Projected levels of the PCC's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Debt (incl. PFI & leases)	14.6	14.6	21.1	22.9	22.3
Capital Financing Requirement	33.6	39.5	40.8	38.1	36.1

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the PCC expects to comply with this in the medium term.

Liability benchmark: To compare the PCC's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £16.6m and is forecast to rise to £23.2m over the next three years.

Table 6: Borrowing and the Liability Benchmark in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Forecast borrowing	14.6	14.6	21.1	22.9	22.3
Liability benchmark	9.8	19.6	25.8	25.1	23.0

The table shows that the PCC expects to remain borrowed below its liability benchmark from 2023/24 onwards.

Affordable borrowing limit: The PCC is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – borrowing	31.8	26.1	33.7	36.6
Authorised limit – Long Term Liabilities	2.5	2.5	2.5	2.5
Authorised limit – total external debt	34.3	28.6	36.2	39.1
Operational boundary – borrowing	29.3	23.6	25.4	24.8
Operational boundary – Long Term Liabilities	1.5	1.5	1.5	1.5
Operational boundary – total external debt	30.8	25.1	26.9	26.3

Treasury Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The PCC's policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Surplus cash is invested securely, for example with the government, other local authorities, selected high-quality banks and pooled funds, to minimise the risk of loss.

Table 8: Treasury management investments in £millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Near-term investments	14.87	10.0	10.0	10.0	10.0
Longer-term investments	-	-	-	-	-
TOTAL	14.87	10.0	10.0	10.0	10.0

Risk management: The effective management and control of risk are prime objectives of the PCC's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Force's ACO (Resources) and staff, who must act in line with the treasury management strategy approved by the PCC. Half yearly reports on treasury management activity are presented to the Strategic Assurance Board.

Investments for Service Purposes

The PCC does not make any investments directly into local public services i.e buying shares or investing in local businesses to promote economic growth.

Commercial Activities

The PCC does not invest in any commercial property / activities.

Other Liabilities

In addition to current debt of £14.6m (*figure as at December 2023*), it has also set aside £0.8m to cover the risks of both the self insured public and employers liability claims where the PCC's claims handlers have advised there is a high probability of economic benefits being transferred.

The PCC has a Budget Equalisation Reserve of £13.8m (Balance as at 31/03/23) to support annual expenditure and manage the financial risks of major incidents (this is in addition to the General Fund Reserve of £5m).

Governance: The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported in the quarterly Budget Monitoring Report presented to the Corporate Governance Board (CGB), if appropriate.

- Further details on liabilities are on pages 46 and 47 of the 2022/23 statement of accounts.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax and core government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Financing costs (£m)	4.1	4.2	6.1	7.0	6.9
Proportion of net revenue stream	1.82%	1.82%	2.52%	2.81%	2.68%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 25 years into the future.

Proposed Capital Programme

A summary of the proposed Capital Programme for 2024/25 is shown in the table below. **Annex 1A** provides more detail regarding the individual schemes.

<i>Proposed Capital Programme 2024/25</i>			
Expenditure	£000	Funding	£000
Property	1,141	Borrowing Requirement	6,519
Information Technology	3,069	Revenue Contributions	100
Vehicle Fleet	1,720	3 rd Party Contributions	497
Corporate Projects	1,186		
Emergency Services Network			
Total	7,116	Total	7,116

Estates Programme

The 'Estates' programme is based on the approved Estates Strategy and includes:

- Work at the SARC and Road Policing Unit Store to meet accreditation standards
- Replacement of the Wigston Gates
- Replacement Loughborough and Hinckley Road boiler / pumps, improving environmental standards.

Specifically, Section 5 (page 19) in the Estates Strategy lists the proposed capital schemes for the next 10 years.

A number of estates strategy projects which commenced in 2023/24 will be completed in 2024/25 and include :

- Cooling upgrade to IT rooms at Euston Street.
- A review of the Contract Management Department at Force Headquarters.
- Installation of further solar panels.
- Replace gas heating with heat pump technology.
- Extend/alter the Firearms building at Force Headquarters.

Annex 1B provides more detail regarding the individual schemes.

IT programme

The 'IT' programme is based on the approved Digital, Data and Technology strategy which includes the following schemes :

- Investment in the data network including new circuits between FHQ and Euston street, and storage to ensure network performance and support new services.
- The purchase of additional oracle licenses to ensure compliance with the licensing requirements
- Replacement of 200 Body Worn Video cameras
- Investment in the Confidential Network
- The continuation of investment in the personal computer estate to support agile working.
- An upgrade to the ICCS to ensure that it is available and supported for the next 5 years
- A complete fleet replacement of vehicle airwave terminals to extend their use until the emergency services network is delivered.
- Continuation of the upgrade to the SmartStorm command and control software.
- The purchase of laptop lockers
- Replacement of the Dell Vmware virtual environment

Annex 1C provides more detail regarding each of the work streams.

Vehicle replacement

The fleet replacement programme is based on the approved Transport Strategy. A sum of £1.72m is included for 2024/25 vehicle replacements which will also deliver 5 Police Support Unit carriers. The cost of vehicle replacements below the insurance threshold as a result of accidents are also included.

Corporate Projects

Corporate Projects include:

- Refurbishment of Contact Management Department refurbishment (ergonomics), this has been delayed from 2023/24
- Provision for the rolling programme of Automatic Number Plate Recognition (ANPR) Camera replacements.
- Provision for the capital elements of the Digital Forensics technical solution.

Financing

From 2022/23 the Home Office capital grant ceased. After the application of revenue contributions and other funding sources, the 2024/25 borrowing requirement is **£6.6m**.

The Capital Programme assumes that the 2024/25 borrowing requirement of £6.6m is financed through loans from the Public Works Loan Board (PWLB). Revenue resources are set a side over the life of the asset to repay the borrowing.

Knowledge and Skills

The PCC / Force employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

Where staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The PCC currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the PCC / Force has access to knowledge and skills commensurate with its risk appetite.

Background Papers

Home Office Settlement Notification via the Home Office website.

TREASURY MANAGEMENT – INVESTMENT STRATEGY

Revised January 2024.

1. Introduction

- 1.1. Treasury Management is defined as the management of the Police and Crime Commissioner's (PCC) investments and cash flows, banking and financing of capital expenditure; the effective control of the risks associated with those activities, balanced against the relative performance.
- 1.2. A key activity of Treasury Management is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Any surplus treasury management funds should be invested in low risk counterparties in line with the strategy of providing security of the capital and sufficient liquidity before investment return.
- 1.3. Capital financing decisions provide a guide to the borrowing need of the PCC. In essence, this involves longer term cash flow planning to ensure that capital spending obligations can be met. The management of the longer term cash balances may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasions any current loans may be restructured to meet the PCC's risk or cost objectives.

2. Statutory Requirements

- 2.1. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the Police and Crime Commissioner for Leicestershire ("the OPCC").
- 2.2. In 2018 CIPFA revised the Code and the Prudential Code for Capital Finance, the key changes being:
 - The definition of 'Investments' in the revised TM Code now covers all the financial assets of the organisation, as well as other non-financial assets which the PCC may hold primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations.
 - A revised TM Code covers investments made for reasons other than treasury management with the requirement that these are proportional to the resources available and that the same robust procedures for the consideration of risk and return are applied to these investments.
 - The Prudential Code, which also applies to police and fire authorities, recommends that a Capital Strategy is produced giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2.3. In addition, the Ministry of Housing, Communities and Local Government (MHCLG) issued revised guidance on Local Authority investments in February

2018 that requires the PCC to approve an investment strategy before the start of each financial year. Investments now include all the financial assets and those non-financial assets held primarily or partially to generate a profit, including investment property and loans to subsidiaries and third parties.

- 2.4. This report fulfils the OPCC's legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG guidance in relation to treasury activity.
- 2.5. The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March, but can be revised at any time during the year.
- 2.6. The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the OPCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

3. Treasury Management Strategy

- 3.1. The OPCC has potentially large exposure to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the OPCC's Treasury Management Strategy.
- 3.2. The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's Treasury Management Strategy for 2024/25.
- 3.3. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
- 3.4. The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.
- 3.5. Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.
- 3.6. ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

- 3.7. The core aim of the Treasury Management Strategy is to have an appropriate balance of borrowing and investments, in keeping with the principles of affordability and prudence and maintaining longer-term stability. The OPCC's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.8. The OPCC has appointed Arlingclose as treasury management advisers to provide specific borrowing and investment advice as well as capital financing, technical and accounting advice.

Managing daily cash balances and investing surpluses

- 3.9. In order that the OPCC can maximise income earned from investments, the target for the uninvested overnight balance in the current account is a maximum of £15,000.
- 3.10. At any one time, the OPCC has between £10m and £40m (depending on the cash flow) available to invest. This represents income received in advance of expenditure plus balances and reserves.
- 3.11. Currently most of the PCC's surplus cash is invested in short term unsecured bank deposits and money market accounts.

Credit Rating Agencies

- 3.12. There are three main credit rating agencies that provide a view on the credit worthiness and security of financial institutions.
- 3.13. The three credit rating agencies are:
- Fitch
 - Standard and Poor's
 - Moody's.

Their range of ratings for financial institutions are as follows:

Credit Rating Agency	Highest long-term investment grade rating	Lowest long-term investment grade Rating
Fitch	AAA	BBB-
Standard and Poor's	AAA	BBB-
Moody's	Aaa	Baa3

- 3.14. We have employed the services of Treasury Management Advisers Arlingclose who monitor, on a continual basis, the ratings provided to financial institutions and indeed countries where those institutions are based.

- 3.15. They provide this information on a regular basis and alert clients if there are changes to any of the ratings as well as tailoring their advice based on other information they have at their disposal and further checks that they carry out.
- 3.16. Before making investments the current ratings of the financial institution where the investment is to be made will be checked to ensure that they are within the limits set within this Treasury Management Strategy.
- 3.17. Security of investment remains the priority ahead of investment returns.

Revised Credit Ratings

- 3.18. The OPCC defines “high credit quality” as those organisations and securities having a credit rating of:

- A- or higher that are domiciled in the UK
- A- or higher that are domiciled in a foreign country with a sovereign rating of AA+
- A- or higher for Money Market Funds

- 3.19. The limits set out above will ensure that investments can be made in more financial institutions but security of investment is not compromised.
- 3.20. This Treasury Management Strategy also seeks to broaden the investment instruments that can be used. The following investment instruments can be used when investments are made:

Unsecured Bank Deposits

- 3.21. This includes investments in call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with UK and non-UK banks and UK building societies with high credit quality as defined above.
- 3.22. These investments are nevertheless subject to the risk of credit loss via a “bail-in” should the regulator determine that the bank is failing or likely to fail. The counterparty list is determined by the treasury advisor based on various criteria including, but not limited to, credit ratings and other credit metrics, as well as research.
- 3.23. Investment limits will be set by reference to the lowest published long-term credit rating from the major rating agencies (Fitch, Moody’s or Standard & Poor’s). Investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Information on all of the credit ratings is clearly summarised by Arlingclose which sets out the institutions that can be invested in according to the set criteria.

Secured Bank Deposits

- 3.24. Investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

- 3.25. These are 'designated investments' which can be transacted by Professional Clients under MiFID II. As at March 2019 we have been re-classified as a professional client and therefore these instruments have become available.

Government

- 3.26. This will include loans to and bonds/bills issued by or guaranteed by national governments, regional and Local Authorities and multilateral development banks. These investments are not subject to bail-in risk. Bonds and bills are also a designated investment tool and therefore can only be used if we are re-classified as a professional client.
- 3.27. Investments in non-UK national Governments will be subject to them having a minimum sovereign rating of AA+.
- 3.28. Investments with the UK Central Government may be made in unlimited amounts for up to 10 years. The UK's Debt Management Office currently takes loans for periods up to 6 months.
- 3.29. A very small number of Local Authorities are credit rated and their long-term ratings range from AA to A+.
- 3.30. The security for loans to UK Local Authorities stems from the local government finance framework, creditor protections and likelihood of central government support (or intervention for those facing particular budgetary challenges).
- 3.31. Loan principal along with any interest due is charged on the revenues of the borrowing authority. All loans rank equally including those from the PWLB, banks and other Local Authorities, without any priority.
- 3.32. No investments will be made to a Local Authority where a S114 Notice has been issued and is still in operation.

Pooled Funds

- 3.33. Collective investment schemes, generally referred to as pooled funds, have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.
- 3.34. Short-term Money Market Funds (MMFs) that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts.
- 3.35. Pooled funds whose values change with market prices and/or have a notice period will be used for longer investment periods for that element of the OPCC's funds which can be invested for periods in excess of 12 months. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term.
- 3.36. These allow diversification into asset classes other than cash without the need to own and manage the underlying investments. The risk and reward characteristics of these funds and their appropriateness for the OPCC's investment portfolio and

time frames will be carefully considered in conjunction with advice from the treasury advisor.

- 3.37. The funds' performance and continued suitability in meeting the investment objectives will also be monitored regularly.
- 3.38. Pooled funds will only be utilised following specific advice from the OPCC's Treasury Advisers and after consultation with the OPCC's S151 officer and the Chief Constable's S151 officer.
- 3.39. Some of these funds can only be transacted by 'Professional' clients under MiFID II. As a professional client we would be able to use some of these funds.
- 3.40. In the event that cash balances are available for more than one year, the OPCC will seek to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Pooled funds can help towards achieving this aim.

Risk Assessment and Credit Ratings

- 3.41. Credit ratings are obtained and monitored by the Commissioner's treasury advisers, who will notify the OPCC and the Force finance team of ratings and changes as they occur.
- 3.42. Where an entity has its credit rating downgraded so that it fails to meet the OPCC's approved investment criteria then:
- no new investments will be made in that entity
 - any existing investments that can be recalled or sold at no cost will be
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.43. In these circumstances advice will be sought from the treasury advisers and the OPCC/Force's S151 officer will be consulted with regard to the next steps to be taken.

Summary of Amounts and Durations of Investments

Credit rating	Banks/Building	Banks/Building	Government including LAs
	Societies unsecured	Societies secured	
UK Govt	n/a	n/a	£ Unlimited 10 years
AAA, AA+, AA, AA-	£3m 3 years	£3m 4 years	£3m 5 years
A+	£3m 2 years	£3m 3 years	£3m 3 years
A	£3m 13 months	£3m 2 years	£3m 2 years
A-	£3m 6 months	£3m 13 months	£3m 13 months

None	£1m 6 months ¹	n/a	£3m 13 months ²
Pooled funds	£3m per fund		

Note: The durations highlighted in the table are maximum durations for investments. However, the recommended durations will vary on a regular basis depending on what is happening in the market. These recommended durations are contained within the regular credit rating updates provided by Arlingclose and will be used for the day to dealings.

Other information on the security of investments

- 3.44. The OPCC understands that credit ratings are good, but not perfect, indicators of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 3.45. The OPCC and Force finance team will rely upon the treasury management advisers to highlight and communicate emerging issues on counterparties as a matter of urgency.

Investment Limits

- 3.46. The OPCC's General Fund revenue reserves available to cover investment losses were £5 million on 31st March 2023. In order that available reserves are not put at risk in the case of a single default and taking into account the in-year level of cash balances, the maximum that will be lent to any one organisation (other than the UK Government) will be £3 million.
- 3.47. A group of banks under the same ownership will be treated as a single organisation for limit purposes.
- 3.48. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Borrowing

- 3.49. The OPCC currently holds a £14.6m loan with the Public Works Loans Board (PWLB).
- 3.50. Capital expenditure forecasts show that the PCC expects to borrow up to £9.4m (internal borrowing) over the remainder of 2023/24.

¹ Some Building Societies do not apply for a credit rating. However, in the opinion of our Treasury Advisers they are as secure as the A- rated banks. Strictly speaking they are an unrated, nevertheless we may wish to consider investing some of our funds with them. These are the only investments in unrated financial institutions that will be authorised.

² Most Local Authorities are included in this category as they do not have an official rating but are seen as a secure investment option. Authorities subject to a S114 notice will not be invested in.

- 3.51. The main objective when borrowing funds is to strike a balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.
- 3.52. The strategy continues to address the key issues of affordability. With short-term interest rates currently lower than long term rates, it is likely to be more effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 3.53. By borrowing internally, the OPCC is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. The benefits of internal versus external borrowing will continue to be monitored.
- 3.54. In addition, the OPCC may borrow short term loans to cover unplanned cash flow shortages.
- 3.55. The recommended sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - UK Local Authorities
 - Any bank or building society authorised to operate in the UK.
- 3.56. Whilst the OPCC has previously raised all of its long term borrowing from the PWLB other options will be explored at the point of borrowing to ensure that the most favourable rates and terms are secured.
- 3.57. Short term and variable rate loans can leave the OPCC exposed to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the Treasury Management Indicators.
- 3.58. Arlingclose will assist the PCC with borrowing analysis. Its output may determine whether or not the PCC borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.59. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current redemption rates determined by the PWLB. These often lead to high premium costs on premature redemption. The OPCC and its treasury advisers will nevertheless keep the loan portfolio under review during the remainder of 2023/24 and throughout 2024/25 to see whether a saving could be achieved on the overall interest costs.
- 3.60. The PCC will not borrow more than or in advance of its needs purely in order to profit from the investment of extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates and will be considered carefully to ensure value for money can be demonstrated and the PCC can ensure the security of such funds.

4. Latest Position regarding Treasury Management

- 4.1. The banking sector continues to show signs of instability alongside the wider economy. Exposure to individual institutions will be diversified by counterparty and also through the use of Money Market Funds (where appropriate) in which the underlying investments are very highly spread and also very liquid. This is in keeping with the OPCC's stated aim of protecting the principal (cash) amount.
- 4.2. Funds are placed with institutions based on (a) available headroom and (b) rate of return – this is a daily decision-making process. A balance is struck between the desired level of return and the need to provide liquid funds to meet the OPCC's obligations i.e. supplier payments, payroll costs and tax liabilities.
- 4.3. Continued monitoring of institutions' credit ratings and other credit metrics takes place and is reported to the Corporate Governance Board throughout the year via the "Treasury Management Performance" report.
- 4.4. The Bank of England has increased the bank rate to 5.25%, with our financial advisors forecasting that it has peaked at this rate and will start reducing in 2024 to stimulate the UK economy. Arlingclose forecast that rates will start to reduce in Q3 of 2024. Future policy rates are not, however, guaranteed and a lot hinges on the economy's strength and the inflation outlook.
- 4.5. On this basis the investment income budget rate has been set at £1,500,000 for 2024/25.

<u>Financial Year</u>	<u>Interest Income</u>	<u>Comments</u>
2020/21	£0.01m	Actual
2021/22	£0.01m	Actual
2022/23	£0.25m	Actual
2023/24	£1.20m	Forecast
2024/25	£1.50m	Budget

- 4.6. Given the continued uncertainty in the economy an ongoing review of the Treasury Management Strategy will be undertaken during 2024/25 to review whether there are other investment options available.

5. Borrowing Limits

- 5.1. In accordance with the Prudential Code it is a requirement that the OPCC set borrowing limits for the next three years and upper limits on fixed and variable interest rate exposures. These limits are intended to reduce risk. It is proposed that the limits should be as follows:

		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
(i)	Total authorised borrowing limit*	31.8	26.1	33.7	36.6
(ii)	Long term liabilities	2.5	2.5	2.5	2.5

*includes headroom for short term borrowing - £1m for each year

- 5.2. The interest rate risk indicator is set to control the OPCC's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rate will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£61,507
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£(61,507)

The impact of change in interest rates calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 5.3. The Prudential Code also recommends that the Police and Crime Commissioner sets upper and lower limits for all of its borrowing to control exposure to refinancing risk. The following limits are proposed:-

	Upper Limit	Lower Limit
Under 12 months	50%	0%
Between 12 months and 24 months	50%	0%
Between 24 months and 5 years	75%	0%
Between 5 years and 10 years	90%	0%
Between 10 years and 15 years	100%	0%
Over 15 years	100%	0%

- 5.4. The purpose of the upper and lower limit is to make sure that the debt portfolio is diversified appropriately over different durations to ensure that not too much borrowing is maturing at the same time and therefore subject to market conditions at the point of maturity.

6. Principal sums invested for long periods longer than 364 days

- 6.1. The purpose of this indicator is to control the exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£2m	£2m	£2m

7. Changes to the Treasury Management Strategy

- 7.1. The Treasury Management Strategy can be amended in year by the S.151 officer of the OPCC who will have consulted with the Police and Crime Commissioner and the Force's ACO (Resources) prior to making any changes. Any changes will be the subject of a formal decision record.